# FINANCIAL TIMES

**Genetic engineering**

*Barnyard drug factories*

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**Glasgow**

*Great progress has been made*

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**Germany**

*Carry on Kohl!*

Europa, Page 16

TOMORROW'S **Weekend FT**

*Turkey stirred by a missing son*

World Business Newspaper

FRIDAY MAY 10 1996

## China warns of retaliation over US sanctions threat

China yesterday threatened vigorous retaliation if the US proceeded with sanctions on imports of some $3bn worth of Chinese goods, signalling a further escalation of their long-running bilateral dispute over intellectual property rights. The US announced on Wednesday it would give China until May 15 to step up enforcement of a February 1995 agreement aimed at stamping out widespread piracy of US information and education products. **Page 18; GM shrugs off fears of US-China trade wars, Page 6; Editorial Comment, Page 17**

**Arrest warrant issued for Dassault**

A Belgian magistrate has issued an international arrest warrant for president of the Dassault aviation group Serge Dassault (*left*), after he refused to go to Belgium to face questioning over the payment of bribes to win a defence contract. The warrant follows a probe by Belgian investigators into the alleged payments by Dassault and the Italian helicopter company Agusta to the Belgian Socialist party. **Page 18; Warrant may ease merger, Page 2**

**Bulgaria's record interest rate:** The Bulgarian National Bank yesterday raised its central interest rate to a record 108 per cent from 67 per cent in a bid to halt the steep decline in the value of the lev, the Bulgarian currency. **Page 16**

**Shell shares jump:** Shares in Royal Dutch/Shell jumped sharply on hopes that the Anglo-Dutch oil group would increase substantially its dividend payment later this year in the wake of a record first quarter profits. **Shell abandons oil project off Vietnam, Page 6; Lex, Page 18; London stocks, Page 32**

**Compaq Computer,** the world's largest personal computer manufacturer, has chosen advanced graphics technology from VideoLogic, a small UK company, for its next generation of home computers. **Page 19**

**Go-ahead for German digital TV company:** The German cartel office approved the formation of a digital television service company MMBG by a consortium of German broadcasters, Deutsche Telekom, the state-owned telecoms company, and Canal Plus, the French media group. **Page 19**

**Strategy to end beef ban:** The European Commission has outlined a mechanism which could lead to the phased removal of the ban on British beef and beef products. **Page 9**

**Cofinec,** a fast-growing central European packaging group founded in 1989 by Italian industrialist Carlo De Benedetti is expected shortly to announce plans to go public. **Page 19**

**Çiller faces corruption probe:** Turkish MPs yesterday voted to set up a second parliamentary committee to investigate corruption allegations against former prime minister Tansu Çiller. **Page 3**

**Japan allays rate rise fears:** The Japanese government moved to allay growing fears in financial markets of an early rise in short-term interest rates. Meanwhile, the Bank of Japan intervened heavily in domestic money markets to ease the upward pressure on overnight lending rates. **Page 5**

**Philippine stocks soar:** The Philippine stock market soared to a 28-month high on news of strong profits growth and better than expected macroeconomic trends. **Page 5; World stocks, Page 36**

**Red Cross halts mediation over hostages:** The International Committee of the Red Cross said it had abandoned efforts to obtain the release of 11 hostages, including four Britons and two Dutch citizens held by rebels in Indonesia.

**Yeltsin unity hopes rise:** President Boris Yeltsin's hopes of uniting "democratic" forces behind him in Russia's presidential election rose after Grigory Yavlinsky, a liberal rival, signalled a new readiness to compromise. **Yeltsin drafts Lenin on to campaign team, Page 2**

**UK council 'homes-for-votes' scandal:** The wealthy former Conservative leader of Westminster City Council in London, Dame Shirley Porter, will go to the High Court in an attempt to avoid having to repay up to £31.67m following investigations of an alleged homes-for-votes policy. **Page 10**

**Aids protein identified:** A protein that plays a key role in the attack of the Aids virus has been discovered by US scientists, ending a decade-long search. The protein, called fusin, must be present for the Aids virus to infect white blood cells.

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| Dow Jones Ind Av | 5,487.43 | (+13.37) |
| NASDAQ Composite | 1,187.44 | (+4.01) |
| **Europe and Far East** | | |
| CAC40 | 2,085.41 | (+1.67) |
| DAX | 2,469.38 | (-3.26) |
| FT-SE 100 | 3,728.3 | (+21.0) |
| Nikkei | 21,411.88 | (-316.72) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds | 5¼% |
| 3-mth Treas Bills: Yld | 5.103% |
| Long Bond | 87⅞ |
| Yield | 6.986% |

**OTHER RATES**

| | | |
|---|---|---|
| UK: 3-mo Interbank | 6⅛% | (same) |
| UK: 10 yr Gilt | 95⅞ | (95⅜) |
| France: 10 yr OAT | 105.07 | (closed) |
| Germany: 10 yr Bund | 98.11 | (same) |
| Japan: 10 yr JGB | 97.301 | (97.093) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent Dated | $19.41 | (19.91) |

**GOLD**

| | | |
|---|---|---|
| **New York Comex** | | |
| (Jun) | $394.5 | (394.8) |
| **London:** | | |
| close | $392.8 | (394.0) |

**DOLLAR**

| | | |
|---|---|---|
| **New York lunchtime** | | |
| £ | 1.5213 | |
| DM | 1.51625 | |
| FFr | 5.14285 | |
| SFr | 1.23705 | |
| Y | 104.865 | |
| **London:** | | |
| £ | 1.5232 | (1.5162) |
| DM | 1.5168 | (1.5183) |
| FFr | 5.1489 | (5.139) |
| SFr | 1.237 | (1.2337) |
| Y | 104.745 | (105.23) |

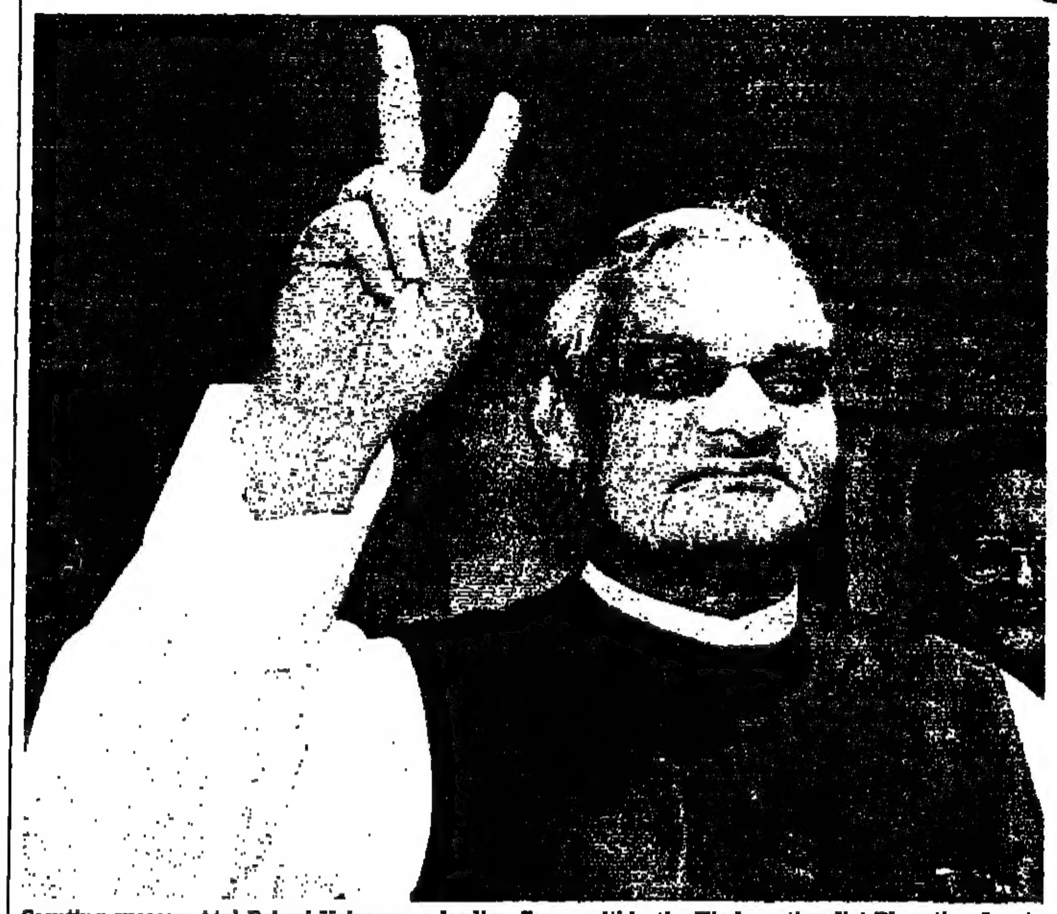
**STERLING**

| | | |
|---|---|---|
| DM | 2.3103 | (2.3019) |
| Tokyo close: | Y 105.2 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Albania | LEK 220 | Germany | DM4.00 | Lithuania | Lts 15.00 | Qatar | QR13.00 |
| Austria | Sch37 | Greece | Dr400 | Lux | LFr75 | S.Arabia | SR12 |
| Bahrain | Din1.250 | Hong Kong | HK$20 | Malta | Lm0.65 | Singapore | S$4.30 |
| Belgium | BFr75 | Hungary | Ft230 | Morocco | MDh16 | Slovak Rp | Sk65 |
| Bulgaria | Lw130.00 | Iceland | IKr230 | Neth | Fl 4.75 | S. Africa | R12.00 |
| Cyprus | C£1.20 | India | Rs75 | Nigeria | Naira60 | Spain | Pta250 |
| Czech Rp | Kc60 | Israel | Shk7.90 | Norway | NKr20.00 | Sweden | SKr20 |
| Denmark | DKr18 | Italy | L3200 | Oman | OR1.50 | Switz | SFr3.70 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Syria | S£85.00 |
| Estonia | EKr 22 | Jordan | JD1.50 | Poland | Zl 5.50 | Tunisia | Din1.750 |
| Finland | FM15.50 | Kuwait | Fils.650 | Portugal (m'land) | Es240 | Turkey | L80,000 |
| France | FFr11.50 | Lebanon | LL3,000 | | | UAE | Dh12.00 |



# Indian PM to resign after poll rebuff



Scenting success: Atal Behari Vajpayee, a leading figure within the Hindu nationalist Bharatiya Janata party, gives the victory sign in New Delhi after his party's triumphant electoral performance *Picture: Reuter*

## Congress suffers worst election result as all main parties fail to win outright majority

By Mark Nicholson in New Delhi

Mr P.V. Narasimha Rao is to resign as India's prime minister today after voters handed his Congress party its worst election result.

Congress, which has been in power for all but four years since India's independence, emerged as only the third largest political group in the general election which ended on Tuesday.

Mr Rao, 74, presided over four years of substantial economic reforms; deregulating many business sectors and creating an urban boom. But political opponents complained that ordinary Indians were being left behind. India's state television said Mr Rao would step down after a final cabinet meeting.

The country's three main political groups yesterday began attempts to draw smaller parties into a coalition after the election left them short of a majority.

Results and trends from 384 seats showed the Hindu nationalist Bharatiya Janata party would emerge as the biggest group, but it might fall 100 seats shy of the required 272 MPs.

Congress was headed for a lower tally of seats than its previous worst of 154 in 1977. Left-wing, social justice, caste-based and regional parties made unexpectedly strong showings.

Doordarshan, the state television channel, projected the BJP to win 175-185 seats when counting finishes late today, with Congress set for 130-140, more than 100 down on 1991. The Left-National Front alliance of Janata Dal and India's communist parties was poised to win 140-150.

A host of ex-Congress splinter groups, regional and caste parties will hold a balance of 80-90 seats

Left's bark worse than its bite Page 5

in the 545-seat parliament.

"This mandate amounts to a rejection of the Congress party," said Mr L.K. Advani, BJP president. "This also amounts to a mandate for BJP as it is the largest party."

But the performance of the religion-based BJP fell short of leaders' expectations. It suffered setbacks in several northern states and did not gain a great wave of Hindu support. Mr Pramod Mahajan, BJP general secretary, said that, as the biggest party, it had a "right and duty" to try to form a government. But it is expected to have difficulty, given the determination of most other parties to keep the BJP from power.

The Bombay BSE-30 index fell 72.95 points to 3,694 reflecting investors' nervousness about likely political uncertainty. The rupee also slipped Rs0.30 against the dollar yesterday to Rs35.10 before rallying to close at Rs34.66.

Leaders from the three main political groups last night suggested they would attempt to form a coalition by attracting the support of half a dozen smaller regional parties, each set to hold between five and 30 seats.

Mr V.N. Gadgil, Congress spokesman, said a "very large" section of his party wished to sit in the opposition, but two Congress ministers said they were "open" to an anti-BJP coalition.

The result is an historic rebuff for Congress, which failed to ignite voters with its campaign theme of "stability".

The arithmetic of building a coalition will prove complex since, even with the support of all of India's main regional parties, neither Congress, the BJP nor the Janata Dal-Left Front grouping could secure a majority.

# Fall in computer chip prices hits shares

By Louise Kehoe in San Francisco and John Burton in Seoul

A sudden drop in "spot" prices for computer memory chips has hit share prices of semiconductor manufacturers and prompted accusations that Asian producers are slashing prices to maintain market share.

In South Korea, the share price of Samsung Electronics, the world's biggest producer of D-Rams, fell sharply yesterday.

The shares fell by their daily trading limit of won5,900 to close at won92,600 on fears that a glut of memory chips has undermined prices. D-Ram chips are data storage devices used in all types of computers.

Spot prices – quoted for immediate delivery of chips – have fallen by almost $1 over the past two weeks to about $3.75 per chip in the US and even lower in Asia, according to Dataquest, the US market research group.

Contract prices, negotiated by large users of memory chips such as the leading US personal computer manufacturers, have remained relatively firm for the past month, at about $7 for 4 megabit D-Rams, according to Mr Mark Giudici, a Dataquest analyst. However, the large spread is putting pressure on contract prices, which are now expected to fall to about $6.50.

Last year, worldwide D-Ram sales were about $25bn, or about a quarter of total semiconductor sales.

Since the fourth quarter of 1995 contract prices for 4 megabit D-Rams have fallen by more than 40 per cent. Similarly, prices for 16 megabit D-Rams, a new generation of chips that can store four times as much data, have fallen by nearly 50 per cent.

Taiwanese chipmakers have accused Korean companies of cutting prices to maintain market share and bolster earnings through higher sales volumes.

However, Samsung yesterday denied it was reducing prices.

US manufacturers are watching prices closely, with a view to filing trade complaints if import prices fall below the manufacturing costs of foreign competitors, according to industry officials.

Large buyers of D-Rams are now routinely renegotiating

Continued on Page 18

# De Klerk quits South African government

## Nationalist leader's departure leaves ANC in almost complete control of cabinet posts

By Roger Matthews in Cape Town

South Africa's National party, headed by former president Mr F.W. de Klerk, yesterday abandoned a power-sharing agreement with the African National Congress and quit the two-year-old government of national unity.

The move will leave the ANC in control of almost all cabinet posts and bring a more combative edge to South African politics, as the National party promises to be a vigorous opposition.

The rand, which continued Wednesday's sharp fall, steadied after the announcement to close in Johannesburg at R4.51 to the dollar, down R0.03 on the day.

Mr Trevor Manuel, finance minister, said he believed foreign exchange markets had already discounted the National party's decision. He said he was encouraged by the subsequent slight strengthening of the currency.

Before the National party statement the rand had touched R4.55 against the dollar, close to its all-time low of R4.57. Local economists expect it to remain volatile until there is a clearer indication of government policy.

The weakening of the rand may force the Reserve Bank to consider another rise in official interest rates just two weeks after it increased the bank rate by one percentage point to 16 per cent. Fears of another rise helped fuel falls on the Johannesburg stock exchange where the overall index finished more than 2 per cent lower at 6,692.

The South African Chamber of Business, the largest of the business lobby groups, said it would have preferred the national unity government to continue until 1999 as planned. But it said the move was a "further step in the development of a normal multi-party democracy".

President Nelson Mandela said the withdrawal had not come as

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a surprise, and was recognition that the country's young democracy had come of age. He said there would be no change in government policy. He thanked Mr de Klerk and his party for their efforts during the past two years and said they had a "continuing responsibility to contribute to the process of eradicating the policy of apartheid they created".

Mr de Klerk said his party, which had ruled for more than four decades before the 1994 general election, had decided to leave the government on June 30 because its influence in cabinet was waning. The ANC was "acting more and more as if they no longer need multi-party government," he said.

Although the Nationalists had voted for the new constitution on Wednesday, fundamental differences remained with the ANC and its allies on several issues, including trade union rights, the death penalty, abortion and the protection of private property.

Business South Africa, which groups the largest companies, said yesterday it was "unacceptable" that the new constitution failed to balance the rights and obligations of workers and employers. It was studying what action it might take to restore employers' collective bargaining rights.

Mr de Klerk's position as deputy president will not be filled, and Mr Mandela said it was too early to discuss what would happen to the six other ministerial posts held by National party members. Most are likely to go to the ANC, although Mr Mandela could ask other smaller parties to participate in government.

The only remaining coalition partner is the Inkatha Freedom party, headed by Chief Mangosuthu Buthelezi, minister of home affairs, who has several times threatened to leave the government and last year walked out of negotiations on the new constitution.

# Nokia shares drop as profits collapse in first quarter

By Hugh Carnegy in Stockholm

The volatility of the booming mobile telephone industry was starkly illustrated yesterday when Nokia, one of the world's biggest suppliers, reported a collapse in first quarter profits, prompting a six per cent fall in its share price.

The Finnish group said pre-tax profits fell from FM1.35bn ($284m) in the first quarter of last year to FM399m, prompted by a surprise reverse into loss by its mobile phone handset division. Until recently it had been the engine of the group's spectacular growth.

Nokia, the world's second largest handset supplier after Motorola of the US, had warned for some time that profits would be significantly lower in the first half of this year. The first quarter result was well below the most pessimistic market forecasts and Nokia shares lurched downwards on the news from Helsinki.

The company's most-traded A share, which closed on Wednesday at FM178, tumbled to a low point of FM141 before recovering to close at FM167 as investors absorbed promises from Mr Jorma Ollila, group chief executive, of a rebound in profits in the second half of the year.

The result also dragged down shares in Ericsson, Nokia's Swedish rival and the world's biggest overall mobile equipment supplier. Although Ericsson had the previous day reported a 28 per cent rise in first quarter profits – ironically driven by big growth in its mobile operations – its B share fell SKr3.50 to close at SKr140.50 in Stockholm.

Nokia said sales of its mobile handsets rose only 10 per cent from FM3.5bn to FM3.9bn due to flatter growth in the first two months of the year in the US and in Europe. The rate of growth was far below rates achieved over the past two years. Also, margins were squeezed by price cuts of up to 25 per cent, and the company said the division made a small loss. No figure was given.

Mr Ollila added that problems in Nokia's mobile phone production were responsible for 50 per cent of the earnings reverse.

"In a business where you have price erosion like we have had you need significant volume increases as well as new product flow and a low cost structure. We have not been able to improve the latter as well as in the past,"

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# Dassault warrant may ease merger

By David Buchan in Paris

The international arrest warrant issued by Belgium to try to force Mr Serge Dassault to answer questions before a Liège judge investigating an alleged defence contract bribe threatens to jeopardise the position of the head of the famous French maker of military jets.

It raises the possibility that a Belgian judge may, indirectly, achieve something successive French ministers have failed to achieve, and which President Jacques Chirac is struggling to achieve – the merger of Dassault Aviation with state-owned Aérospatiale to give France a single aircraft manufacturer.

The existence of the international warrant effectively confines Mr Dassault to France, which does not extradite its own citizens. While the warrant hangs over Mr Dassault's head there is always the risk that third countries might honour it. So Mr Dassault will have to rely on others in his 9,200-strong company to promote sales of his Mirages and of the new Rafale which is being actively touted to Norway, the United Arab Emirates and South Korea.

It also removes any foreign travel pretext Mr Dassault may have been using to delay his supposed merger talks with Aérospatiale. In mid-February the government announced that Dassault and Aérospatiale would set up a "pilot committee" to come up with proposals by the end of June for the creation of a joint company over the following two years. The plan was endorsed on television by Mr Chirac.

So far the merger is going nowhere. The "pilot committee" has never met. Appealing to family ties and balance sheet logic, Mr Dassault has apparently spent nearly three months trying to talk the president out of the merger, or at least drastically altering it to Dassault's advantage.

No one, even inside Dassault, believes that the president can be forced to back down. But appeals not to destroy "the house of Dassault" put Mr Chirac at an emotional disadvantage; as a child he sat on the knee of Serge's father, Marcel Dassault, the legendary founder.

In balance sheet terms Mr Dassault does not see why his smaller, profitable group should be swallowed by loss-making Aérospatiale which is five times its size. In announcing his 1995 results last month, Mr Dassault took a sly pleasure in stressing his group's FFr9bn ($1.75bn) stock of cash and orders running 20 per cent ahead of current sales. To underline his family's intention to stay at the controls, he put his son, Olivier, back on the Dassault board. In his negotiations with the Elysée, Mr Dassault is said to have demanded deep cuts in Aérospatiale's workforce – including the departure of its current head, Mr Louis Gallois – as well as a high price for his own 49.9 per cent share in Dassault.

In theory, the French state might be able to force his hand. In return for cancelling some loans to Dassault, it took 20 per cent of Dassault in 1977 with some double voting rights attached. It gained more in 1981, when the late Marcel Dassault simply gave an astonished Socialist government another 26 per cent to head off outright nationalisation.

Exercise of double votes would give the state control and the ability to override Mr Dassault, who has contested the legality of these votes and said he would go to court, if necessary, to prove they were contrary to French corporate law. But he may now feel that the Belgian legal system is enough to wrangle with.

# Italian senators and MPs vote for conflict

By Robert Graham in Rome

Italy's 13th post-war parliament opened in at atmosphere of sharp confrontation yesterday with the centre-left Olive Tree alliance imposing candidates for the key posts of speaker in the senate and chamber of deputies.

Despite last-minute negotiations, the Olive Tree and the right-wing alliance, headed by former prime minister Silvio Berlusconi, failed to agree on a bi-partisan approach to the main institutional positions in the new legislature.

Hardliners in the Berlusconi camp insisting successfully that as the opposition they should cut no deals with the governing coalition. This left Olive Tree with no option but to propose its own candidates. Given the centre-left's majority in both houses, the election of the Olive Tree's candidates then became inevitable.

In the case of the senate, this was possible on the second round of voting where a simple majority was required. But in the chamber, which required a two-thirds majority on the first three rounds of voting, a fourth vote was necessary. Last night it looked as though this final round in the chamber would be staged today.

Mr Nicola Mancino, a former Christian Democrat interior minister and veteran politician, was elected by 178 votes, well clear of the 163 majority required. The Olive Tree's candidate for the chamber was Mr Luciano Violante, deputy speaker in the previous parliament, a former chairman of the anti-mafia commission and one of the most important figures in the Party of the Democratic Left (PDS). The alliance's votes added to those of Reconstructed Communism, formed from the hard-core communists, are enough to ensure Mr Violante's success.

Confrontation between the two alliances is likely to be repeated in the coming days over the chairmanship of the various parliamentary committees. The hardliners in the Berlusconi camp claim the opposition must work to establish the kind of bi-polar politics in Britain, where the winning party takes the full reins of government.

However, moderates in the right-wing alliance maintain that it lacked the unity needed for this kind of opposition role. By seeking confrontation, they said, the various groups in the alliance risked serious divisions.

Of the 630 deputies elected, 350 were new while 168 of the 315 senators were first timers. Lawyers predominated in both houses, accounting for 14.5 per cent of the deputies and 15.7 per cent of senators.

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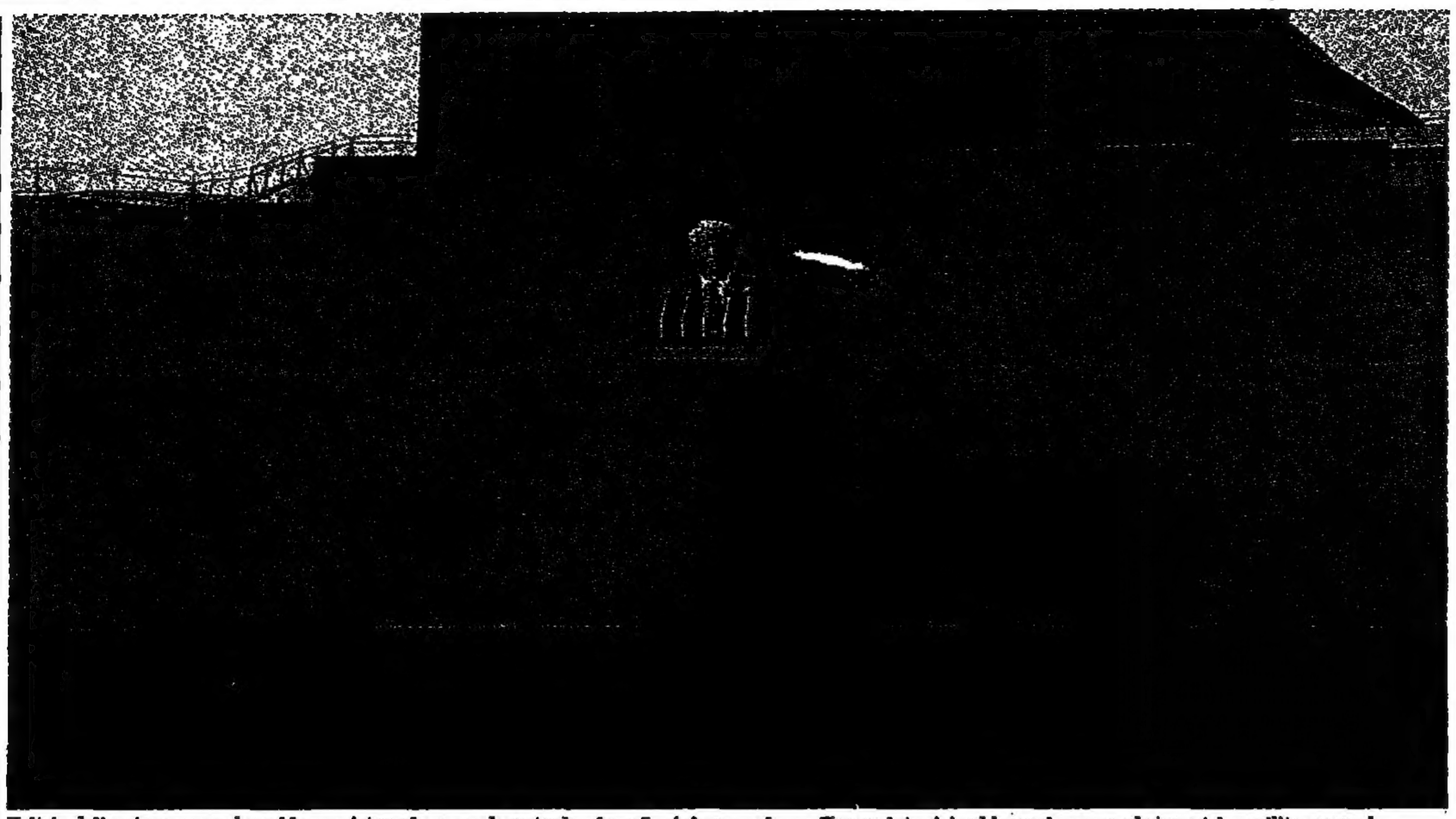


Yeltsin delivering a second world war victory day speech yesterday from Lenin's mausoleum. He was later joined by senior generals to watch a military parade Reuter

# YELTSIN DRAFTS LENIN ON TO CAMPAIGN TEAM

By Chrystia Freeland in Moscow

Russian President Boris Yeltsin yesterday embraced the symbols and ceremonies of the Soviet era as he stepped up his campaign for re-election in the June 16 ballot.

The Kremlin leader commemorated May 9, when Russians celebrate the anniversary of the allied victory in the second world war, in a style borrowed from the Soviet Union. The red flag, but with a star instead of the hammer and sickle, flew in Red Square and Mr Yeltsin, flanked by senior government officials, delivered a speech from a marble platform above the Lenin mausoleum.

Mr Yeltsin, whose speech was followed by a military parade, called special attention to the recently re-introduced red flag, which he described as "a living link between the generations, which is now represented by our symbols".

The president, who is reputed to possess an instinctive flair for politics, raised the emotional stakes even higher yesterday afternoon when he flew to the southern Russian city of Volgograd, which, under its old name of Stalingrad, was the site of one of the Soviet Union's most important battles.

Although Volgograd today is a staunchly red town, which heavily backed the Communist party in recent municipal elections, Mr Yeltsin made a passionate plea for the city's votes, saying he felt a moral obligation to visit the site of such an important Red Army triumph and admitting that he "would have trouble holding back the tears" at a planned commemoration.

But the president's effort to beat the Communists at their own game was countered by a high-spirited march of up to 50,000 Communist supporters through the streets of central Moscow.

Mr Gennady Zyuganov, the Communist leader, told his supporters: "The Communists are facing a difficult victory, even more difficult than the 1945 victory over the Nazis. Then, the nation was united, society was not divided into the poor and the rich, into new Russians and old Russians."

After rising steadily in opinion polls, Mr Yeltsin's ratings have levelled off and most polls are showing him slightly behind his Communist rival. One recent poll put the president as many as 20 percentage points behind.

There is increasing nervousness among Yeltsin supporters and other Russian democrats. One senior Yeltsin aide has publicly called for the elections to be postponed and Mr Grigory Yavlinsky, the leading liberal outside the government, said this week he would be ready to form a coalition if Mr Yeltsin met several tough conditions.

But Russian analysts said Mr Yeltsin was unlikely to be willing or able to meet Mr Yavlinsky's terms, which include an end to the war in Chechnya and radical changes in the cabinet.

# Decree to pass Belgian budget

By Neil Buckley in Brussels

Mr Jean-Luc Dehaene, the Belgian prime minister, has asked parliament for special powers to legislate by decree on the 1997 budget after last week's collapse of a pact between the government, employers and unions.

Special powers to rule by decree, although permitted under the Belgian constitution, have rarely been used except in times of crisis.

The jobs pact, agreed with union and employers' leaders on April 18, included a mechanism to limit wage rises in Belgium to no more than the average level in neighbouring France, Germany, and the Netherlands. The pact disintegrated last week after one of the two main unions, the FGTB socialist union, refused to endorse it because it contained no guarantees on job creation.

That left Mr Dehaene facing a potentially bruising budget round this year to ensure that Belgium reduced its budget deficit to 3 per cent of GDP in 1997 – one of the criteria for inclusion in a single European currency.

Belgium has made inclusion in the first group of countries to adopt the Euro a central policy, and has adopted a series of austerity measures to reduce the deficit, including cuts in social spending and a three-year wage freeze which ends this year. It had hoped to strengthen its chances of admission to the final stage of monetary union by meeting the 3 per cent target this year – a year early – before slowing economic growth cast doubt on its chances of success.

Last weekend the Belgian cabinet agreed a further BFr25bn ($790m) of spending cuts for the year, aimed at keeping it on target for the 3 per cent figure.

But Mr Dehaene told parliament yesterday next year's budget would be "one of the most important in Belgium's history". The government was, therefore, proposing a draft framework law which would allow it to take measures in all areas of public finance to ensure it reached the 3 per cent target next year.

The draft law will be debated in parliament today before a vote on Monday, but received an angry response yesterday from opposition members who denounced it.

## New government prolongs doubts on euro timetable

# Spanish markets hit by mixed hints on Emu

By Tom Burns in Madrid

Spain's new centre-right government sowed confusion in the markets yesterday with mixed signals over the country's approach to economic and monetary union (Emu) and the start-up of the single European currency, the euro.

After negative market reaction to a strong hint that it favoured postponing Emu in order to allow more EU members – notably Spain itself – more time to qualify as founding members, the government insisted that it was committed to meeting the goals on time.

The economy and finance minister, Mr Rodrigo Rato, seemed to endorse a suggestion earlier this week by the foreign minister, Mr Abel Matutes, that the clocks should be "stopped" on the Emu timetable.

Mr Matutes' remarks "were realistic from the point of view of Spain's interests and they certainly represent the view of the government", Mr Rato said yesterday.

Markets reacted quickly. The Spanish bond yield rose 10 basis points, the price of futures was down 50 cents and the peseta fell against the D-Mark. "People were driven by the logic that the government was trying to wriggle out of taking tough measures," said a London currency trader.

In London, Mr Yves-Thibault de Silguy, European monetary affairs commissioner, brushed off suggestions that a single currency could be delayed. "The single currency is well on track – Europe will have the euro on January 1 1999. The political commitment of member states in unflinching."

Mr Rato's ministry later issued a statement reiterating "its commitment to meeting the criteria and timescale of convergence for monetary union". Officials stressed that the Emu strategy would be underlined by the cabinet today when it would seek agreement on spending cuts totalling at least Pta200bn ($1.6bn).

Some analysts believed that the ministers' remarks revealed a marked shift from the uncompromising support for the introduction of the euro in 1999 that had characterised the previous Socialist government. Others suggested that inexperience could be a factor.

When Mr Carlos Westendorp, the former foreign minister, spoke in January of a "credibility crisis" surrounding the euro and called for its delay, Mr Pedro Solbes, the then economy minister, immediately said Mr Westendorp did not "in any way represent the views of the government".

But the ruling Popular party led by Mr José Marí Aznar includes some Eurosceptics and appears to be far less dogmatic about Emu timetables.

This is in part because the new team is much less optimistic about the domestic economy's readiness for the euro – Spain currently meets none of Emu's convergence criteria – and in part because some of the government's policy advisers believe excessive zeal to be a founding euro member could harm the economy.

# Brokers vie for Hungarian gas shares

By Virginia Marsh in Budapest

Hungarian and foreign brokers are engaged in fierce competition to secure local governments' shares in Hungary's five regional gas distribution companies even though APV, the state privatisation agency, has yet to decide on the size of the stakes it will hand out to individual councils.

The powerful national savings bank, OTP, unveiled a plan on Monday to buy shares from about 1,100 councils together due to receive 40 per cent stakes in the five GDCs.

The bank, which has teamed up with Schroders, the UK investment bank, and Credit Anstalt Securities, one of the leading brokers on the local market, is offering the cash-strapped councils a minimum upfront payment as well as a 50 per cent share of any extra proceeds if it manages to sell the stakes for more.

OTP's offer prompted Epic, a Vienna-based financial advisory company which runs one of the leading Czech investment funds, to announce it had already signed up most of the local councils that are due to receive shares in Tigaz, the largest of the regional GDCs. It says it will soon come up with a rival plan to OTP's and that it is in talks with other councils due to receive shares in the four other GDCs.

In the meantime, several small local brokers say they have been quietly acquiring options on other councils' shares.

The competition is one of the first of its kind in Hungary where, unlike in the Czech Republic, most former state companies have been sold to strategic partners. However, the socialist-led government which took power in 1994 has sought to sell more companies through the Budapest stock exchange, one of the world's smallest but best-performing markets this year, and is keen to see some of the gas companies listed.

It is hoped APV will hand out the stakes by June. However, some councils are threatening to sue the agency if they do not receive stakes they consider to be sufficient compensation for past investment in their local GDC.

Western utilities including Italgas and Gaz de France paid a total of $460m for 50 per cent plus one stake in the five companies last December.

OTP's plans are centred around listing at least the three largest GDCs. Other brokers say this would be the best way to maximise the value of the minority stakes.

EUROPEAN NEWS DIGEST

# Dutch growth forecast falls

Dutch gross domestic product this year is likely to be 1.8 per cent rather than 2.5 per cent, according to the Organisation for Economic Co-operation and Development. The organisation blamed the downgrading of its original forecast on weakness in the neighbouring German and French economies, and a simultaneous decline in domestic housing starts.

The organisation believes growth should recover to rise by 2.4 per cent next year, thanks to an expected upturn in exports later this year. But this revised figure is still lower than the 2.9 per cent predicted last year.

The OECD based the revised figures for 1997 on the assumption that lower interest rates will encourage consumption and investment, and fuel an overall revival in European economic activity. It expects average Dutch interest rates for this year and next to be significantly below those that prevailed last year, while inflation should hold steady at 2 per cent. The budget deficit is expected to fall below 3 per cent of GDP in 1997. The Dutch debt/GDP ratio remains close to 80 per cent, however. *David Brown, Amsterdam*

## German monorail approved

Germany's parliament yesterday cleared the way for a high-speed train propelled by electromagnetic levitation, linking Germany's biggest cities, Berlin and Hamburg. A prestige technology project for German industry, the bullet-shaped train is supposed to be in service by 2005 and cover the 297km stretch in under an hour, compared with three hours by conventional train. The government expects the train to carry at least 11m commuters a year. A train prototype has reached a top speed of 430kph.

Under development for 20 years, the system uses the repelling force of magnetic fields generated by electric motors to lift the train about 15cm above the rail and propel it forward.

Critics say the monorail will cost more than the government's estimate of DM5.6bn ($3.7bn) and is a waste of money. Green party politician Mr Rainer Steenblock warned that his party would continue its fight against the project during local approval procedures in Schleswig-Holstein, a state governed by Greens and Social Democrats. *AP, Bonn*

## Finnish deal averts strike

Finland's employers appear to be the main losers in a last-minute compromise over unemployment benefits struck yesterday between the Social Democratic-led coalition government and the main trade unions, averting the threat of a general strike called for today. Indefinite strike action against exporting companies set for next week was also called off.

The unions were opposing cuts in unemployment benefit included in the government's tough FM20bn ($4bn) programme of spending cuts, intended to ensure that Finland qualifies for European monetary union. The deal includes concessions on training schemes for young and elderly among Finland's 17 per cent unemployed. It also increases the ratio of the FM12bn annual jobless benefit bill paid by employers from 32 per cent to 47 per cent, drawing criticism from the employers' confederation.

However, the agreement includes no revision of the government's budget plans, thus preserving the unity of the coalition, which includes the Conservative, Green and Left parties, as well as the SDP. *Hugh Carnegy, Stockholm*

## East German gloom deepens

The business climate in east Germany declined notably in the first quarter of the year, according to the Institute of the German Economy. A survey of the turnover and profit expectations for 1996 of 500 companies produced the worst result since 1993. The construction industry was particularly pessimistic, the institute said. Companies in the service and investment goods sectors were more positive.

There seems little chance of improvement in unemployment as the number of east German companies planning redundancies rose to 64 per cent from 40 per cent last autumn. This is partly due to the generally poor economic situation in the electrical, chemical and energy distribution industries.

Seen on a regional basis, Berlin was the most pessimistic. Nearly 70 per cent of companies in the city expect turnover and profits to drop this year. Saxony, where there was a small increase in the number of companies expecting better results, was the most positive. The survey shows export expectations have generally remained robust. *Frederick Stüdemann, Berlin*

## Serbs protest over unpaid wages

More than 10,000 workers at the Serbian electronics group EI-Nis went on strike for a second day yesterday to press demands for the payment of overdue wages and a stake in the company. "We will continue the strike until our demands are met," said Mr Velja Pavlovic, of the strikers' committee. "Employees of some of the 42 companies within the EI-Nis group have not received their salaries from December last year," he added.

Workers are not only insisting that management pay wages unpaid since last year, they also want the state-owned group to change its ownership structure and give them a stake of at least 51 per cent. They are urging the republican government of Serbia to place import restrictions on components produced by EI-Nis to protect its flagging production.

On Wednesday several thousand strikers were reported to have gathered in the centre of Nis, an industrial town about 200km south of Belgrade. Police prevented them from forcing their way into the town assembly hall. *Reuter, Nis, Serbia*

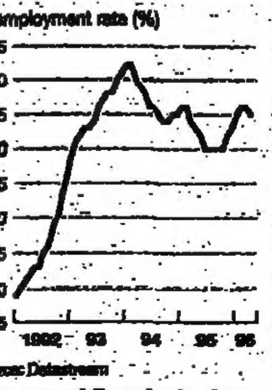
## Athens acts to curb pollution

Working hours are to be staggered in Greece this summer in an effort to reduce air pollution in the capital, Athens. Announcing the policy yesterday, the environment ministry said that a partial ban on cars in the city centre would be extended to June and July. Athens has dangerously high air pollution levels during the summer, a report has found.

Under the government's plan, public services, supermarkets and grocery stores will open at 7am, banks and insurance companies at 7.45; all other stores will be allowed to open one hour later. Most shops and services now open around 8am, with some opening a couple of hours later. *AP, Athens*

ECONOMIC WATCH

## Swiss jobless rate edges down




Source: Datastream

Switzerland's unemployment rate stood at 4.5 per cent in April, down from 4.6 per cent in March, the Swiss federal office of trade, industry and labour said. But the rate was still above April 1995's 4.3 per cent. The number of unemployed persons in Switzerland fell to 164,151 in April. That compares with 165,305 jobless in March and 156,684 a year ago. Year-on-year job vacancies were also down, with 6,353 vacancies in April 1996 compared with 6,781 in April 1995. *Agencies, Geneva*

● Danish industrial sales fell 1 per cent while order books were 3 per cent down in current prices in January-March 1996 compared with the same 1995 period, according to government figures.

● Poland's trade deficit in the first two months of 1996 amounted to $1.45bn, compared with a $574m deficit during the corresponding period of 1995.

# Çiller faces new corruption inquiry

By John Barham in Istanbul

Turkish MPs yesterday voted overwhelmingly to set up a second parliamentary committee to investigate corruption allegations against Mrs Tansu Çiller, the former prime minister. Their action will further undermine the country's fractious conservative coalition government in which her True Path party shares power with the Motherland party of Mr Mesut Yilmaz, the prime minister.

MPs voted 376-141 against Mrs Çiller, with nearly all Motherland members supporting the opposition, led by the Islamist Refah party.

Motherland MPs make no secret of their intention to unseat Mrs Çiller, in the hope that Mr Yilmaz will emerge as the sole leader of a unified centre-right.

Mrs Çiller said: "This is a political game. History will judge the players in this game. If the target is to investigate corruption, then let's lift the immunity of all MPs and open the way for independent judges." She has repeatedly accused Refah's leaders of corruption and even drug smuggling.

Refah has put forward a series of motions in parliament to set up committees to investigate allegations against Mrs Çiller. Last month parliament agreed to form a committee to investigate claims that she interfered in tenders by the state-owned power company Tedaş.

Refah now plans a third committee to examine the source of Mrs Çiller's personal fortune. Each committee must report back within four months. If parliament accepts their findings, it could send her for trial.

Relations between the two party leaders, while never good are now said to be almost beyond repair.

Mr Yilmaz said this week that, if she is facing prosecution, Mrs Çiller should not take over as prime minister for two years in January, as required by their coalition agreement.

Co-operation between the parties has also practically ceased, paralysing government decision-making, even though both sides share the same free market, pro-western and secular values.

As a result, business leaders see little chance that Turkey's 80 per cent annual inflation rate and heavy government overspending are likely to be tackled by this government. Mr Erol Sabanci, managing director of Akbank, Turkey's biggest private bank, said: "The business community does not have confidence on how long this government will be in power or how active it will be in decision-making."

**A Turkish court yesterday acquitted nine members of the country's Human Rights Foundation and one other defendant, accused of "insulting the constitution and laws of Turkey", writes John Barham. The foundation was indicted last year following its publication of *A Present for Emil Galip Sandalci*, a collection of essays by Turkish intellectuals on democracy and human rights. Mr Sandalci was a founding member of the foundation.**

**Human rights campaigners welcomed the acquittal, but warned that Turkey's human rights record remained poor. Last year, in response to pressure from the European parliament, Ankara amended the constitution and changed the anti-terrorism law which is frequently used to stifle debate on the Kurdish issue. Strasbourg had threatened to refuse to ratify a customs union between Turkey and the European Union.**

**A senior foundation official said: "There are more than 6,000 trials under way over freedom of expression [of which] more than 2,500 are under article 8 [the anti-terrorism law]. The reality is that there is no political will for democratisation under this government."**

# 'Flexibility' may lead to a multi-speed Europe

By Bruce Clark in Brussels

Six weeks into the arcane debate over the European Union's future, known to initiates as the intergovernmental conference, the Italian presidency says it can detect a wisp of white smoke.

One of the most "promising areas" of discussion, it says, is the principle known in Eurojargon as flexibility: the idea that wherever they feel able to do so, the keenest members of the European family should race ahead of the laggards.

In the past, it was part of the European Community's dogma that there could be no two-speed Europe. But if the most recent discussions at the IGC bear fruit, there could be many speeds in many sectors.

Promising, in this context, is a relative term. What the Italians mean is that flexibility is not one of those issues in EU reform where positions look so incompatible that only a grand political bargain could close the gap.

The principle of flexibility is already well established with respect to economic and monetary union: on the most optimistic estimates, less than half the EU's members will be willing or able to join Emu in 1999. And if the enthusiasts get their way, the concept of a multi-speed Europe could be extended to many other fields: foreign policy, defence, legal affairs, the environment, scientific co-operation and so on.

The banner of "general flexibility" was raised last December by French President Jacques Chirac and Germany's Chancellor Helmut Kohl, in a signal that that they would not allow the EU's doubters to hold up the integration process.

Partly at Britain's insistence, the EU leaders who launched the IGC in Turin in March laid down some strict terms for any discussion of the issue: it should not compromise the "institutional framework" of the Union, or distort competition.

The Italians are also stressing the need to make it easy for members to move from the slow to the fast lane in any policy area.

Britain is also arguing that deals under which some members forge ahead should be agreed by all, in detail as well as in principle; and it remains wary of being forced to pay for policies in which it does not participate.

London already resents having to pay for the administration of social policies from which it has opted out, and it rejects the French view – reaffirmed at this week's 27-nation meeting in Birmingham – that European military missions should be financed by the EU as a whole.

The reference in Turin to a "single institutional framework" reflects the fear that a wild proliferation of ad-hoc arrangements between varying numbers of states will lead to a collapse of the EU.

One such arrangement already exists. The Schengen agreement on visa-free travel has been ratified by seven EU members – but the Union's institutions are wholly uninvolved. Germany wants immigration and asylum issues to become part of the hard core of EU business. Given the sensitivity of Britain to giving up sovereignty in this area, that seems unlikely: at best, the loose co-operation that now exists between the EU's justice and interior ministries can be upgraded.

With such a wide range of attitudes to co-operation in home affairs, there is only one way the issue can be finessed without compromising the future of the Union – through the principle of flexibility.

# More managers of Polish funds threaten to sue

By Christopher Bobinski in Warsaw

Regent Pacific, a Hong Kong based fund manager, and Yamaichi of Japan yesterday threatened to sue one of Poland's national investment funds which they agreed to manage last year. This is the latest episode in a dispute involving foreign participation in the country's mass privatisation programme.

Equity in around 500 state-owned companies has been handed to 15 national investment funds, and management companies formed of local interests with foreign partners were taken on last summer.

The fund managers' task is to enhance the value of the funds over 10 years. Ownership certificates in the funds, which will in time be listed on the Warsaw bourse, have been offered to the population at a nominal 20 zloty ($7.50) fee. More than 12m Poles have taken up the offer so far.

Last month, two US fund managers, Wasserstein Perella and New England Investment, were dismissed by the state-appointed supervisory board of Fund 11 on grounds of negligence, a charge the firms intend to challenge in the international courts.

Yesterday, Sir John Mellon, chairman of Regent Pacific Corporate Finance, said Regent Pacific Special Projects (RPSP), which is managing Fund 13 was considering going to court over the 60 days' notice of dismissal given by the supervisory board. The notice period expires on June 4.

Ms Ewa Freyberg, deputy privatisation minister responsible for the privatisation programme, yesterday said in evidence to a parliamentary inquiry that such conflicts should be considered "normal" in such a complex scheme.

Mr Marek Bryx, head of Fund 13's supervisory board claimed that RPSP had failed to live up to its original promises and was not producing results for its $3.1m annual fee. RPSP has offered to put its remuneration on a performance-linked basis in exchange for having the notice period withdrawn and control of the fund restored.

# Banks urged to upgrade systems ahead of Emu

By Paul Taylor in Annecy, France

Market forces, new regulations and the approach of European monetary union have created a new phase in the consolidation of Europe's banking industry, Mr Howard Davies, deputy governor of the Bank of England, said yesterday.

Mr Davies said previous attempts at creating pan-European retail banking groups had been "by no means an unqualified success".

"A number of large banking groups, the British among them, have withdrawn from retail services in other countries, their tails between their legs," he said.

But a recent spate of cross-border acquisitions of investment banks might be "the tip of a larger iceberg", as banks took advantage of new European directives to branch into other countries.

Mr Davies, who was speaking at a meeting of European bankers in Annecy, France, organised by ICL, the UK-based systems integration and computer services group, emphasised that UK banks, particularly those involved in the wholesale banking business, needed to be gearing up now for the changes associated with Emu.

A straw poll of 65 conference delegates revealed that two thirds had not even started to consider the technological implications of Emu – 27 per cent had plans in place and only a few had specified systems or begun system development.

"I am not surprised about the relatively small numbers which have specified or are developing systems at this stage," he said. "I wouldn't expect retail banks to have got into these areas, but I would expect anyone with wholesale business to be thinking pretty hard about getting into putting plans in place."

The deputy governor acknowledged that some UK banks might have weighed up the various Emu probabilities and decided to delay Emu-related investment decisions until after the general election, which is due by early next year.

He said Emu-related system changes should be "essentially straightforward", particularly for wholesale banks already used to working with multi-currency systems.

However, he acknowledged that retail banks within the Euro trading area would face more difficult problems during the transition period, particularly since the changes required to computer software could coincide with changes made necessary by the so-called millenium problem – many older computer systems run software which cannot cope with the change to the year 2000.

# Norway offshore oil strike over

**Norwegian offshore oil workers called off their six-day stoppage yesterday as strikers began to withdraw their support, Reuter reports from Oslo. The Norwegian Federation of Oil Workers said its members at Norsk Hydro, British Petroleum and Statoil had said they no longer wanted to support the action.**

**The strike began last Saturday in support of a wage claim by 400 service workers, who were already on strike but whose action had not halted production.**

**The federation said it would decide later whether to call off the service workers' strike.**

**The union's leader, Mr Petter Bonde, said: "It seems that people in the operating companies have forgotten time-honoured solidarity and support. People are more interested in chatting with management than fighting for the working man."**

**Norsk Hydro said the 150,000 barrels per day Oseberg C platform would resume operations later yesterday. "It will take us a few hours to be in full production again."**

**Statoil said between 400 and 450 workers, including strikers, had been laid off because of the walkout but thought production "would be back in full swing on Saturday".**

**Strike-hit Statoil platforms included Statfjord B and C, and nearby satellite fields Statfjord East and North, whose output totals 510,000 b/d. Production was also at a standstill at the Gullfaks A and B installations, accounting for 280,000 b/d.**

**Other fields affected by the strike were British Petroleum's Ula and Elf's Heimdal.**

# De Klerk embarks on uncertain trek

**Michael Holman** on the uncharted political landscape facing South Africa's National party as it quits the government of national unity

If President Nelson Mandela was feeling the strain of South Africa's most serious crisis since he took office two years ago, he was not showing it yesterday.

As his coalition government was about to collapse, the already shellshocked rand was still falling and the political landscape of South Africa was being redrawn. But the 76-year-old leader of the African National Congress seemed unfazed.

He was confident, he told an early morning press breakfast, in Mr Trevor Manuel his recently appointed finance minister. And if he regretted the impending departure from the cabinet of Mr F W de Klerk, his deputy president and former leader of white South Africa, he gave no indication that he would try to change his mind.

Yet if Mr de Klerk had wanted to hammer home the importance of the role he and the National party have played in South Africa's successful transition from apartheid to democracy, he could hardly have done it more effectively.

On Wednesday, the day most of the country was celebrating agreement on a new constitution, just a couple of sentences by Mr de Klerk sent the rand plummeting.

The National party's membership of the government of national unity was under consideration, he said.

Within minutes the rand was falling, reflecting the markets' alarm at the prospect that he and eight ministerial colleagues would pull out of the government. It has held together as a fragile and sometimes fractious government of national unity ever since the ANC's victory in the 1994 election.

Yesterday Mr de Klerk confirmed his withdrawal, declaring that it was time South Africa had "a strong and confident opposition".

The National party, which ruled apartheid South Africa alone and unchallenged for more than four decades before majority rule, had failed in its efforts to write the principle of coalition government into the country's new constitution.

"We believe that the development of a strong and vigilant opposition is essential for the maintenance of a genuine multi-party democracy," said Mr de Klerk. "Since the new constitution does not provide for the continuation of any form of joint decision-making in the executive branch of government, we have decided that the time has come for us to play our full role as the main opposition party."

Whether the National party can overcome its association with apartheid and expand beyond its mainly white constituency is another matter. But the first thing he felt he had to do yesterday was to repair the damage his earlier remarks had done.

"I am distressed that rumours of our withdrawal has had such a negative effect on the value of the rand," he told a press conference in Cape Town.

"The basic economic policies of the government of national unity are sound," he said. "We have no reason to believe that the ANC has any intention of deviating from the course that they themselves have been co-instrumental in charting."

Indeed, he continued, the National party withdrawal from the coalition made it even more likely that those economic polices would be maintained.

Most observers accept that the National party has indeed been hamstrung in its junior role in the administration. It has been unable to use parliament as a forum for criticism, for fear of being accused of sabotaging the government.

Yet if the National party is to fulfil its new role in opposition, Mr de Klerk has a monumental task ahead of him. For it requires rebuilding a party still lumbered by the baggage of the past and lacking new blood.

Earlier this year he had already hinted that it might be time to break away. Opening new headquarters in Pretoria in February, he called on his supporters to prepare for what he described as "a new spiritual trek towards an unknown political destination".

Although it was a phrase which is powerfully evocative of Afrikaner history, it was hardly designed to appeal to the black voters his party must now win over.

In the 1994 democratic elections the National party managed to capture around 21 per cent of the vote, most of this coming from its traditional white constituency. Local government elections last November suggested that the party had still failed to win over any significant black support.

On the contrary, there was evidence that it was losing support among the "coloured" (mixed race) voters of the western Cape, whose backing had helped it win control of the province's regional assembly – its only electoral success.

But Mr de Klerk has also to confront a more fundamental problem. The Afrikaners of South Africa are divided and the National party can no longer rely on a constituency that was once rock solid in its backing for apartheid.

It was no accident that yesterday morning President Mandela went out of his way to praise General Constand Viljoen, the retired army chief whose Freedom Front party holds nine seats in parliament and which seeks what amounts to a white homeland. The Freedom Front abstained in the vote on the constitution on Wednesday and Mr Mandela shrewdly kept its hopes alive by announcing he would be meeting the general next week.

Mr de Klerk has also lost out to the extreme rightwing Conservative party. While it may wish to make common cause with the National party, it is almost inconceivable that this could be done with Mr de Klerk in charge. He is seen by the CP as having "sold out" the whites to majority rule.

One option may be to return to an alliance with Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party which controls the provincial assembly of KwaZulu-Natal. The chief may be tempted to follow Mr de Klerk out of the coalition, in which he has always been uncomfortable. It would leave Mr Mandela for the first time facing a serious and vocal opposition in parliament.

De Klerk announces that his National party is to quit the government of national unity Reuters

## FROM DIVISION TO UNITY AND BACK

| | |
|---|---|
| February 1990: | President F W de Klerk lifts the ban on proscribed organisations including the ANC, the South African Communist party and the Pan-Africanist Congress. |
| December 1991: | The CODESA negotiating forum, in the first of its guises convenes for the first time. |
| March 1992: | Mr de Klerk wins a clear vote of confidence in a whites-only referendum on his political reforms. |
| May 1992: | CODESA II fails to resolve the deadlock over the percentage vote required for the adoption or amendment of the constitution, leads to an impasse; the ANC decides on mass action to press for the establishment of an interim government and elections for a constituent assembly. |
| June 1992: | The ANC launches a campaign of "mass action" to force an acceleration in political change. |
| June 23 1992: | The ANC National Executive Committee suspends bilateral talks with the government and participation in CODESA negotiations. |
| April 1 1993: | Representatives from 26 South African political parties and organisations begin multi-party negotiations. |
| April 10 1993: | The general secretary of the South African Communist party, Mr Chris Hani, is assassinated at his home in Boksburg. |
| October 15 1993: | Nelson Mandela and President de Klerk awarded the Nobel Peace Prize. |
| April 27 1994: | The ANC wins a clear majority in the country's first fully democratic elections; the major opposition parties concede defeat and the vote is declared fair. |
| May 9 1994: | Interim parliament elects Mandela as president. |
| May 10: | Mandela formally inaugurated as head of state. De Klerk and Thabo Mbeki become deputy presidents. |
| February 1995: | Buthelezi leads Inkatha boycott of both chambers of parliament in protest at failure of the ANC and NP to implement pre-election promise of talks on the devolution of powers to KwaZulu-Natal; further boycott of the constitutional assembly was staged in April. |
| May 8 1996: | De Klerk votes reluctantly in favour of constitution but says his party would review its position because of dissatisfaction with some clauses. |
| May 9 1996: | De Klerk and National party withdraw from the government of national unity. |
| 1999: | Next election due |

INTERNATIONAL NEWS DIGEST

## Mugabe choice disappoints

Zimbabwe's President Robert Mugabe yesterday appointed Mr Herbert Murerwa, the minister of industry and commerce, to the post of finance minister. The country had been without a finance minister since the death last October of Mr Ariston Chambati. Analysts said the appointment fell far short of the expectations of business leaders and international donors.

Mr Murerwa has no formal economics or business training and is unlikely to carry much clout within cabinet or the politburo. He is from the moderate wing of the ruling Zanu-PF party.

Mr Mugabe also replaced the posts and telecommunications minister, Mr David Karimanzira, following alleged mismanagement of the award of cellular telephone contracts. The main surprise – which disappointed businessmen – was the transfer of Mr Nathan Shamuyarira from the ministry of labour to industry and commerce. One of Mr Shamuyarira's last acts as labour minister was to ban redundancies by companies seeking to restructure – in open defiance of agreed economic reforms. *Tony Hawkins, Harare*

## Hizbollah bomb kills two

Hizbollah guerrillas yesterday set off a roadside bomb in Israel's self-styled security zone in southern Lebanon, killing two pro-Israeli militiamen. The bomb was the first attack to inflict casualties in the occupation zone since the April 27 ceasefire which ended 17 days of Israeli bombardment of Lebanon. The ceasefire agreement stipulated that Israeli forces and Hizbollah would not fire from or at civilian areas but did not rule out attacks on Israeli targets inside the 15km zone – considered resistance by Hizbollah against a foreign occupier.

Meanwhile, Arab ambassadors to the United Nations were yesterday seeking Security Council action on the UN report suggesting Israel had intentionally shelled a UN camp in Qana, Lebanon, killing more than 100 people. The US is not likely to vote for a measure that criticises Israel, although France described the report as troubling the UK said it should be taken seriously. *Agencies*

## Museveni heads for victory

Troops fanned out across Kampala before the official end yesterday of the country's first direct presidential elections. Most analysts predict that President Yoweri Museveni will win in the first round on the basis of his 10-year record of political stability and economic growth, enormously appreciated by an electorate scarred by the brutal regimes of dictators Idi Amin and Milton Obote.

The two opposition parties fielding Mr Paul Ssemogerere, a 64-year-old former minister, complained that the army would intimidate supporters. Furthermore, dissatisfaction in the north, where rebels are terrorising villagers, support for federalism and opposition from Ugandans who reject Mr Museveni's "no-party system", have created a surprisingly large protest vote. The president is unlikely to get the 85 per cent support his team expects.

Mr Ssemogerere virtually conceded defeat during a press conference the night before the election, blaming his anticipated failure on the bribing of local officials, "state-engineered violence" and constitutional rules that prevented opposition parties from operating effectively.

But observers say his Democratic Party is discredited by its alliance with the Uganda People's Congress (UPC), led by the exiled Mr Obote. Mr Ssemogerere's attitude to the Lord's Resistance Army, the rebel group committing atrocities in the north, also damaged his campaign. *Michela Wrong, Kampala*

# World Bank offers Hanoi $1.5bn loan

By Jeremy Grant in Hanoi

The World Bank, praising Hanoi's progress towards a market economy, yesterday offered Vietnam $1.5bn in concessional lending spread over three years from 1997. But it warned that long-term development depended on paying off the country's debts soon.

The funding would be provided by the International Development Association (IDA), the bank's soft-loan affiliate, and marks a significant increase in the bank's assistance to the communist-run country, which is one of the poorest in the world.

"Provided the Vietnamese government wishes to take advantage of that facility we are very much prepared to do it," said Mr James Wolfensohn, bank president. Projects would include infrastructure, modernisation of the banking system, power and nutrition.

Some of the projects would be designed to assist Vietnam's nascent private sector, which economists say suffers from discriminatory treatment by a government keen to bolster the role of the state sector.

However, Mr Wolfensohn, the first World Bank president to visit Hanoi, made no comment on a recent document issued by the Communist party rejecting large-scale privatisation. "It's for the government of Vietnam to run the country, not the bank," he said.

Vietnam was now the second largest recipient of IDA assistance after India, he added. "It is essential, however, for Vietnam to overcome its past debt burdens with successful restructuring of outstanding commercial debt and transferable rouble debt, to set the stage for successful long-term development and access to international capital markets."

Vietnam still owes its commercial creditors about $830m and has debts to Moscow of about Rbs10.5bn ($2.1m), from the days of the former Soviet Union.

Mr Cao Si Kiem, governor of Vietnam's central bank, said at a joint news conference with Mr Wolfensohn that talks with commercial creditors would resume on May 14.

"The two sides have reached agreement in principle and there remain some issues to be tackled. It is our hope that these will be cleared so that we will reach agreement and it will be signed, probably in the third quarter of this year," he said.

Although the two sides are understood to be far from agreeing an appropriate price to settle the debt, as well as on debt forgiveness, bankers say Hanoi is under some pressure to compromise.

"I came away with the sense from the economic leadership that they are anxious to create an environment for investment and that... as soon as they can achieve this harmony – and I guess you will see this discussed at the next congress – we can expect an environment in which Vietnam will move ahead," Mr Wolfensohn said.

## Friend or foe? Investors weigh parties' words against deeds

# Indian left's bark may be worse than its bite

By Mark Nicholson in New Delhi

Sleeping on it: A poll officer naps after counting votes in New Delhi Reuter

With India's social justice Janata Dal party and its leftist, mostly communist, allies poised to hold the key in a likely coalition government, the business community will be wondering whether to consider them friends or foes. The answer depends on whether to believe the parties' words, or examine their deeds.

Detailed in a joint declaration released last month, their words might put shivers down the spines of foreign investors. The parties, chiefly the JD, India's two communist parties and the socialist Samajwadi party, said the four years of Congress-led reforms had "eroded economic sovereignty" and "provided a bonanza for big capitalists and multinational companies".

It said the parties "reject the IMF-World Bank dictated economic policies" which had "increased economic disparities, fuelled unemployment and price rises... sharpened regional economic imbalances and hurt the nation's self-reliance". India's ailing public sector, they added, should be freed from "bureaucratic shackles" but its privatisation "shall not be permitted".

The parties said foreign multinationals would be invited "only in the areas of technology gaps" but "kept out" of consumer goods sectors, those dominated by small industries, agriculture and the financial sector.

The parties added that in "international negotiations" they would seek to protect India's agriculture, pharmaceutical, chemical and textiles industries.

All of these policies might spell a full stop for economic reforms, and in some cases a reverse. Except that JD state governments and the Communist Party of India (Marxist) government of West Bengal have observed such policies more in breach than observance.

Mr Jyoti Basu, West Bengal's Marxist leader for the past 19 years, has presided over a thoroughly pragmatic approach to foreign investment since Congress deregulated and liberalised the economy.

A Basu aide in Calcutta recently reeled off a list of multinationals operating in the state, including Philips, Siemens and BOC, saying: "We have clearly spelt out that we need investment. We'll see workers' interests are protected – that's all. But we need to create employment." Moreover, Mr Basu last year tried to privatise one of Calcutta's state-run hotels.

JD leaders have proved similarly reform and investor-friendly in practice. Mr Deve Gowda, chief minister of Karnataka, has included a trip to the World Economic Forum in Davos in his attempts to draw foreign high-technology and infrastructure investors to his state.

His government recently helped push through approvals for a $1bn US power project at Mangalore, and when some "economic nationalists" objected to the opening in Bangalore of Kentucky Fried Chicken, Mr Gowda's government offered support to the US fast-food chain.

In Bihar, even, Mr Laloo Prasad Yadav, the populist farmers' son chief minister, was also boasting on the campaign trail of his investment-seeking trips last year to London, New York and Singapore.

It is clear that any left-wing JD dominated government's economic policies would favour their largely agrarian supporters. Cuts in fuel, fertiliser and energy subsidies would be unlikely.

But whether their bite would live up to their barks about "foreign multinationals" is far less clear. "When you just look at their state governments, they're screaming for foreign investment," said the head of one US investment institution in Bombay.

# Philippines defies regional trend as stocks surge

By Edward Luce in Manila

The Philippine stock market yesterday soared to a 28-month high on news of strong profits growth and better than expected macroeconomic trends.

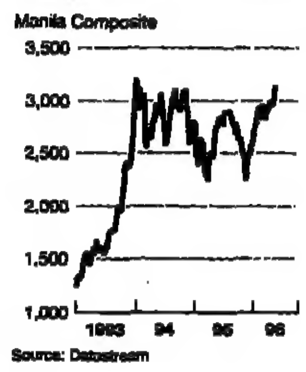
The market, which has jumped 7 per cent since last week and more than 50 per cent since the start of the year, is going against regional trends.

"What is exciting about the last few days is that other bourses in the region – such as Thailand and Malaysia – have remained flat or even dropped slightly, while the Philippines has taken off," said Mr William Daniel, head of BZW in Manila.

With corporate profits growth averaging more than 30 per cent in the first three months and forecasts of Philippine gross national product growing by as much as 7 per cent this year, from 5.7 per cent in 1995, turnover on the Philippine exchange doubled in the last week to more than 4bn pesos ($150m) yesterday.

Market sentiment was bolstered by news of falling inflation, which dropped half a point to 11.3 per cent in April and is expected to dip into single figures next month, and the announcement on Wednesday of a compromise between the executive and Congress to push through the administration's centrepiece tax reform bill.

**Philippines stock market**




Source: Datastream

Upward revision of forecasts for private sector earnings growth – which most brokerages are putting at about 35 per cent for 1996, compared with a 14 per cent average forecast for Malaysia and 12 per cent for Singapore – has also lifted stocks.

Analysts said the composite index, which closed up 63.03 points at 3,133.37 yesterday, was likely to overtake the record high of 3,347 in the next few weeks as lower inflation led to a fall in prime interest rates.

Sentiment was also lifted by yesterday's central bank announcement that growth in broad money (M3) – considered a good indicator of inflation – decelerated to 20 per cent in February, from a peak of 45 per cent a year ago.

## ASIA-PACIFIC NEWS DIGEST

# Jobless rise in Australia

Australia's unemployment rate shot up last month to almost 9 per cent, its highest level for more than a year.

According to the latest figures from the Australian Bureau of Statistics, the rate reached 8.9 per cent in April on a seasonally adjusted basis compared with 8.5 per cent the previous month. The last time the figure was at this level was in February 1995.

The April data were much more gloomy than private sector economists had expected; most had predicted either no change or a slight decline in the jobless rate. Some analysts, who had been forecasting an upturn in economic activity in the second half of 1996 and a possible tightening of monetary policy, suggested that the latest job numbers rendered this a remote possibility. *Nikki Tait, Sydney*

### Thais may widen currency band

The board of the Exchange Equalisation Fund, Thailand's most important monetary policy committee, is considering the possibility of widening the band within which the baht trades against the US dollar, according to the country's central bank. Under the plan, the baht would be allowed to fluctuate within three or four satang (hundredths of a baht) on either side of the central bank's daily mid-rate. Currently the baht is allowed to fluctuate by two satang above or below the rate.

The move is designed to add some extra risk to the currency, thus discouraging Thailand's high volume of destabilising short-term capital inflows.

Talk of widening the band, as well as recently introduced administrative measures, has already led to some capital outflows in recent weeks. *Ted Bardacke, Bangkok*

### Malaysian trade gap lifts stocks

Malaysia yesterday announced a merchandise trade deficit for February which represented a contraction from January's shortfall but a considerable widening from February 1995. The deficit, a barometer on whether the fast growing country is overheating, totalled M$747.1m (US$300m) in February, against M$1.1bn in January and M$477.9m in February 1995, the statistics department said.

Exports were M$13bn against M$16.14bn in January and imports were M$13.74bn versus M$17.29bn in January. Stock prices rose after the figures were announced.

The local currency, was unaffected by the figures, partly because the statistics department did not say how much of imports were capital equipment and how much were consumer goods. *James Kynge, Kuala Lumpur*

### NZ deports South Korean

New Zealand last night deported a former South Korean diplomat, Mr Choi Seung-jin, to Seoul on the eve of a state visit to South Korea by Mr Jim Bolger, prime minister. Mr Choi has been a source of considerable stress between the two countries for the past year since he was dismissed from the South Korean embassy in Wellington following allegations that he had passed confidential information to the South Korean opposition.

Mr Choi went into hiding and claimed political asylum, saying he would be killed if he was forced to return to Korea. Mr Choi said his wife had disappeared in Korea. New Zealand refused to return him while his case was investigated, provoking an angry reaction and intense political pressure for his return.

Mr Choi was escorted back to South Korea by New Zealand police. *Terry Hall, Wellington*

# Japan allays fears over rate rise

By Gerard Baker in Tokyo

The Japanese government yesterday moved quickly to allay growing fears in financial markets of an early rise in short-term interest rates.

As speculation mounted that the authorities might soon end the long period of monetary accommodation that has helped Japan's economy out of recession in the last two years, Mr Tadashi Ogawa, senior finance ministry bureaucrat, emphasised that government policy remained supportive.

"There is no change in the government's economic assessment or its economic policy stance," he said.

Meanwhile, the Bank of Japan intervened heavily in domestic money markets to ease the upward pressure on overnight lending rates

Earlier the stock market had dropped sharply as expectations of tighter monetary conditions spread. Wednesday's decision by the Industrial Bank of Japan to raise its long-term prime lending rate from 3.2 per cent to 3.6 per cent rattled investors, who sold stocks heavily. IBJ's move was followed yesterday by the two other long-term credit banks.

The moves reflect the higher cost of funds faced by banks in recent months as long-term interest rates have risen. The yield on the benchmark 10-year government bond has edged up from 2.7 per cent in autumn to 3.5 per cent last month. The yield slipped slightly yesterday, however, as bonds gained from equity market's difficulties. And the Bank of Japan has continued to keep overnight rates below the official discount rate of 0.5 per cent.

At one stage yesterday the Nikkei index of 225 leading stocks was down by more than 400 points, almost 2 per cent, before closing at 21,411.68, a loss of 316.72 points on the day, the third-largest one-day decline of the year.

There is a growing confidence in the durability of the economic recovery. The growth in gross domestic product in the last three months of 1995 seems to have been maintained in the first quarter of 1996.

# Banks fear extension of Taiwan labour law will harm employees

**Laura Tyson** on rules ostensibly aimed at preventing 'exploitation'

Ms Liu has worked at a foreign bank's Taipei branch for 15 years and now holds a senior managerial position as the head of its private banking business in Taiwan. But if labour laws governing the manufacturing sector are extended to cover service industries on July 1 as scheduled, she will find it much more difficult to perform her job. And if those laws had been brought into effect a few years ago, she probably would not have got the job at all.

Her boss is in an even trickier position. If Ms Liu (not her real name) works more than two hours of overtime on any given day, or more than 24 hours overtime in a month, or stays at the office past 10 in the evening, the head of the branch could be prosecuted for violation of labour laws and sent to prison.

The labour law was originally designed to protect assembly line workers, especially women, from being exploited. But if left unchanged it would have the effect of reversing the huge gains made by women in white-collar industries over the 12 years since it came into effect. While it also applies restrictions to men's working hours, its provisions are strictest for women.

"What are you supposed to do? Bring work home with you?" asks Ms Liu. "Banking is a 24-hour business. If a client loses their credit card, you have to handle it. If the computer system goes down, you may have to stay overnight to fix it. The government is trying to protect women, but this law creates a very unfair situation and will limit women's job opportunities."

Taiwan's cabinet-level Council for Labour Affairs (CLA) plans to bring banks, credit unions, petrol stations, tourist hotels, sanitation and pollution control companies and information service companies under the umbrella of the Labour Standards Law. Bank and credit union employees make up nearly half the estimated 200,000 additional people set to be be covered by the law.

> If the law is implemented unchanged it would have the effect of reversing the huge gains made by women in services

Foreign banks say that easily 70 per cent of their Taiwan staff are women, many of them in senior management positions. More than half of employees in the local banking industry, both state-run and private, are women.

Alarmed at the prospect of a finding a large percentage of their workforce affected by the law, the foreign banks in Taiwan – normally extremely reticent when it comes to criticising the government – this week issued a public protest.

In a joint statement through the American and European chambers of commerce, they called on the government to amend the labour law to take account of the significant differences between manufacturing and service industry workers. Portions of the law, including discrimination between men and women, were "antiquated and irrelevant" and would severely set back the island's ambitions of becoming an Asian business and finance hub, they said.

The law "would discriminate against women in banking and prevent them from pursuing well paid, highly skilled professional careers in which many women currently in our employ are valued and successful," the statement said. "The implementation of the [law] without its amendment first would be a significant step backwards in the government's programmes to internationalise and modernise" the economy.

As it stands, the labour law stipulates that workers in manufacturing, from the chairman down, must be paid double for time worked above 48 hours a week. Men are restricted to a maximum of 46 hours of overtime a month, and women to 24 hours. Women are limited to two hours of overtime a day and men to three. It is illegal for women to work between 10pm and 6am.

Mr Scott Law, country head for American Express Bank and chairman of the American chamber's banking committee, said: "They're trying to fit a square peg into a round hole. The law is fine for unskilled labour on the factory floor but it is quite a different scenario when applied to professional staff in the service industry."

He argued that it was impractical to pay senior executives, now in many cases on incentive-based compensation schemes, an hourly wage, as would be required under the law.

Mr Law could not confirm local news reports that some foreign banks might pull out of Taiwan if the law is implemented without changes, but said some foreign banks were marginally profitable in Taiwan or suffered losses.

Many Taiwanese companies find the law impractical for managerial levels and above, and in practice it is often neither strictly complied with nor enforced. But foreign companies generally, and especially banks, feel obliged to go to great lengths to operate strictly within the law regardless of market practice.

Those who ignore even the most anachronistic of laws do so at their peril – as the country head of United Airlines discovered last year when the CLA initiated criminal proceedings against him for violation of overtime laws relating to female staff. The case was soon dropped amid embarrassment, but illustrates that while those who draft the laws may have good intentions, the bureaucratic machine can make life difficult.

# Shell abandons oil project off Vietnam

By Jeremy Grant in Hanoi

Shell, the Anglo-Dutch group, yesterday said it had abandoned exploration at an oil field off the Vietnamese coast, becoming the first oil major to pull out of the country's offshore energy sector.

The move had been expected by the industry but reflects growing disenchantment over prospects for significant oil and gas finds in the Nam Con Son basin, an area off southern Vietnam which attracted enormous interest from foreign companies five years ago.

Shell said the company had drilled four wells but none had proved commercial, prompting Shell to relinquish an option to continue exploration at the field, known as Block 10.

"It's not surprising. Companies are only willing to spend so much with no reward and the point comes when you have to say No," said Dr Gavin Law, far east oil and gas analyst with Edinburgh-based consultants Wood Mackenzie.

Shell first started prospecting for oil and gas off the Vietnamese coast in 1986 and has since spent over $150m. It still has small interests in three other blocks offshore from Vietnam, operated by other foreign companies.

PetroVietnam's deputy director for international co-operation, Mr Nguyen Hung Lan, said one of Shell's partners in the block, Total of France, would assume Shell's share.

Other companies are likely to follow Shell. British Gas has found nothing of commercial value in Block 04-01 nearby and although it has said it will stay in Vietnam until October, industry experts say the company is likely to leave then. Lasmo of the UK is also believed to be disappointed with results at its Block 04-2.

Only British Petroleum has reason to be cheerful about the area where it has made a large gas discovery.

Mobil of the US has spent about $45m drilling two wells east of the Nam Con Son basin in the Thanh Long (Blue Dragon) prospect in waters disputed with China.Despite a modest showing last month, the outlook for a viable find is not encouraging, experts say.

Shell's withdrawal leaves Vietnam with 18 contracts with foreign oil and gas companies, most signed about three years ago. Only two companies have made what are regarded as significant discoveries: Petronas of Malaysia and Japan's Mitsubishi Oil. Both were made in the Cuu Long (Mekong) Basin, an area north of Nam Con Son.

Mr Lan said that Petronas had made a commercial discovery of about 20,000 b/d and was discussing a development plan with PetroVietnam. Vietnam planned to pump 8.2m tonnes of crude oil this year, up from 7.8m tonnes in 1995, he said.

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# BHP demand for better oilfield terms is rejected

By Jeremy Grant in Hanoi

Vietnam's state oil agency PetroVietnam said yesterday it had rejected demands to alter the terms of an oil exploration contract with Australian oil and minerals group Broken Hill Proprietary (BHP).

The two sides have been locked in talks for months over the future of BHP's stake in the offshore Dai Hung oilfield. BHP has been seeking a revision of terms in its revenue sharing contract with PetroVietnam to reflect lower than expected reserves.

"Our principle is very clear that we don't accept any revision of PSC [product sharing contract] terms," said Mr Nguyen Hung Lan, deputy director of PetroVietnam's international relations department. BHP officials were not available for comment.

PetroVietnam's insistence on retaining the terms of the 1993 contract is likely to come as a blow to the Australian company, which had hoped to secure changes in order to improve financial returns.

The Dai Hung field was once regarded as Vietnam's most promising offshore oil prospect. But output has dwindled to about 12,000b/d, from 35,000 b/d when production started in October 1994. BHP and its partners Total of France, Petronas of Malaysia and Sumitomo of Japan are understood to have pumped about $180m into the field. BHP's stake is around 44 per cent.

Mr Lan said PetroVietnam was prepared to offer BHP some financing as a way of "solving BHP's financial difficulties", but he declined to elaborate. At one stage, BHP threatened to pull out of Dai Hung if it could not get the terms revised.

However, Mr Lan's comments appear to imply that both sides have given themselves a breathing space, whereby the possibility of a full pullout by BHP has been avoided, a move which would embarrass Vietnam as it tries to maintain foreign interest in its energy sector.





# Poland at the centre of truck growth

## Manufacturers are enjoying pent-up demand in eastern Europe, writes Haig Simonian

New business from the former communist countries of eastern Europe could boost European heavy truck sales by up to 30 per cent in the next decade, according to Scania, the Swedish truck maker.

Eastern Europe could buy up to 52,000 heavy trucks (of more than 16 tonnes) a year, making it the fastest growing region for truck makers after south-east Asia, according to Mr Christoffer Ljungner, chairman of Scania's Polish subsidiary.

The demand from new, private-sector east European hauliers desperate to modernise their gas-guzzling and polluting fleets will play a significant role in boosting the overall European truck market to new peaks of more than 200,000 units and average annual sales comfortably in excess of the current 150,000 units, he predicts.

Such optimistic forecasts appear to be borne out at the exhibition grounds of the Poznan Auto Fair – eastern Europe's premier motor show – where heavy trucks bearing familiar western brand names are very evident.

Europe's truck makers have focused on Poland to spearhead their eastern European plans. The country's size and its 40m population make it by far the biggest single transport market in the region. Economic growth of 7 per cent in 1995 and expectations of more than 5 per cent this year have fuelled a road transport boom. Moreover, Poland's location between Germany and new markets in Russia, Ukraine and Belarus has stimulated through-goods traffic – part of it controlled by Polish hauliers.

The transport boom has been reflected in registrations. Sales of domestically produced commercial vehicles soared by 32 per cent to 24,676 units last year. Registrations of imported commercial vehicles rose even faster, with a 57 per cent climb to 3,504 units. Although many vehicles were car-derived vans or light delivery trucks, an increasing number were heavy-duty juggernauts.

It is that potential which has prompted truck makers to assemble locally. Scania's Polish joint venture started work in 1993. Last year it made more than 1,000 trucks and buses. Volvo, its arch-rival, began soon after. Since then virtually all Europe's main truck makers have begun building trucks locally. The growing role of western brands in Poland, which is leading the changes in the east European commercial vehicles market, are reflected in the region's truck sales statistics.

Mr Kjell Ortengren, Scania's central European sales manager, reckons total sales of heavy trucks in eastern Europe amounted to about 25,000 units in 1990. Although precise data are unavailable, he believes about 4,000 units were from western manufacturers. Five years later, western brands raised their sales to about 6,000 units, in spite of the fact that the total market had collapsed to just 7,000 units.

The resilience of western heavy truck sales and the slump in locally produced brands reflect economic changes and new opportunities for hauliers in the region. For years Polish hauliers plying international routes had to put up with the taunts of drivers ridiculing their less-than-modern machinery.

The collapse of communism unleashed huge pent-up demand for more up-to-date, efficient and reliable western vehicles, says Mr Ortengren. New trucks were also essential for local operators to remain competitive as international haulage markets were liberalised. Poland alone now has about 4,000 trucks plying international routes.

International haulage represents just a fraction of the east European truck market. The bulk of vehicles are used for national, and often purely local, purposes. Many operators have struggled to survive as national economies have undergone fundamental changes, let alone had the spare resources to purchase new foreign vehicles. However, Mr Ortengren believes matters are starting to change among purely domestic transport users, with big retailers and cement companies leading the way.

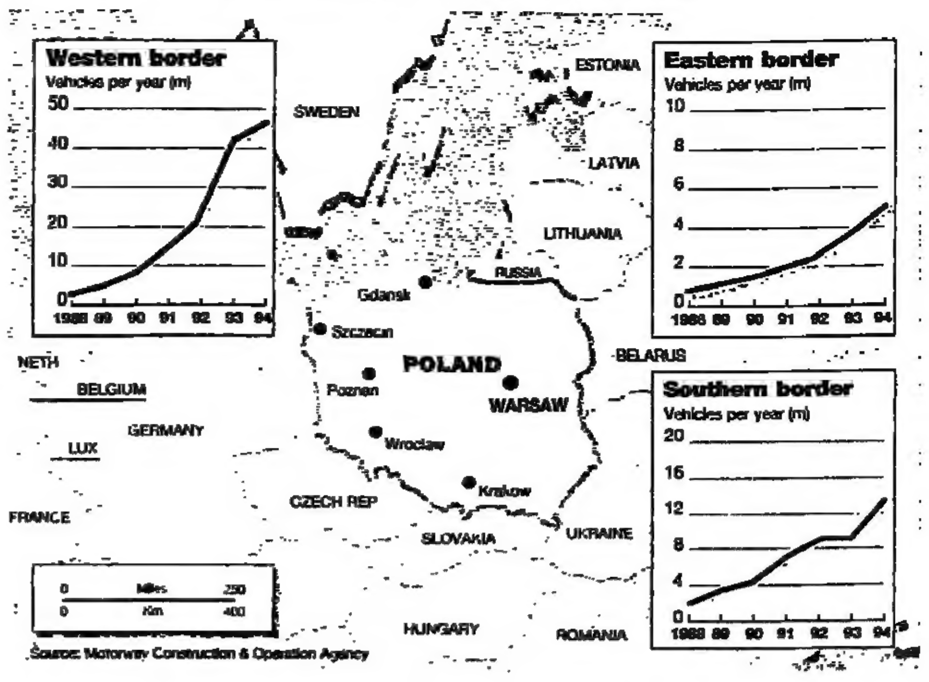
There are, however, still constraints on the speed of sales growth in the region. Apart from economic vicissitudes, many east European countries are still handicapped by a relatively poor road transport infrastructure.

Matters are particularly acute in Poland. The number of cross-border journeys has soared as private motorists and hauliers have used the freedom to travel. But for truckers, customs delays of hours, or even days in some cases, are commonplace.

*The development of Poland's heavy goods market is also impeded by the country's under-developed motorway network. The government is committed to a motorway building programme, to be financed by tolls.* More than 2,000km of new motorways are to be constructed to create new north-south and east-west links, at a cost of more than $10bn.

The programme, however, is already behind schedule, and will take years to complete. But western truck makers are confident that every extra kilometre of road will boost their future business.

**Poland: more crossings at the crossroads**




Source: Motorway Construction & Operation Agency

# GM shrugs off fears of US-China trade wars

**General Motors executives yesterday shrugged off fears of a trade war between Washington and Beijing, and said the US vehicle producer was ready to invest $2bn in China's potentially huge vehicle market, Reuter reports from Beijing.**

**Threats of sanctions and counter-sanctions over rampant copyright piracy in China would have no effect on GM's plans for China, according to senior company executives.**

**"If all the planned ventures that we are now negotiating are realised over the next few months, we will be making investments of over $2bn, including equity and debt, in China over the next few years," said Mr Louis Hughes, executive vice-president of GM's international operations.**

**"We believe that the General Motors company, the largest corporation in the world... must invest in China," Mr Hughes said.**

**He added that Sino-US tensions would have no impact on GM's strategy.**

**"Because both countries are so large, there will invariably be times of friction, on whatever issue, in the future," he said. "Those very short, temporary frictions bear no relationship whatever to our investments in China."**

**GM would continue its aggressive campaign to persuade Washington not to end China's Most Favoured Nation (MFN) trade status, which was threatened by the diplomatic and trade disputes, Mr Hughes said.**

**GM and its global carmaking competitors have long vied for Beijing's favour as they bid for roles in the state-directed development of China's vehicle industry.**

**The company had already invested more than $200m in vehicle parts production in China, said Mr Rudolph Schlais, president of GM's China operations.**

**The $2bn figure for investment included more than $1bn earmarked for a joint venture with Shanghai Automotive Industry Corp to make mid-sized cars, he said.**

**GM, which beat US rival Ford for the venture deal, was expected to begin production in the fourth quarter of 1998 as planned, he said, but gave no details. Beijing has yet to give formal approval.**

**GM already has one China joint venture making pick-up trucks and others that produce vehicle parts.**

**Overproduction and an austerity campaign have hit China's passenger car market hard in recent months, but Mr Hughes said he was confident the Chinese market was on track to become one of the most important in the world.**

# Business anger forces retreat on tariff breaks

By Nikki Tait in Sydney

Australia's new coalition federal government is to reconsider its plans to abolish the tariff concession scheme after an outcry from the business community.

The concession scheme allows duty free imports of certain goods used in industry provided there is no Australian manufacturer of alternative goods. It is of particular value to manufacturers who have to import some of their inputs.

Although Australia has been reducing tariffs for several years, it still has a general tariff of 8 per cent, which is to fall to 5 per cent in July. There are also higher tariffs in specific sectors, such as textiles.

Instead of abolishing the scheme altogether in July – which would have raised over A$400m (US$320m) a year for government coffers – the government is now proposing to reduce the concession so that industry would pay a tariff of 3 per cent.

The government, meanwhile, would raise additional funds by ensuring that some consumer goods, currently imported duty free, bore the 3 per cent tariff. The list of goods likely to be affected is unclear.

Assuming the revised plan is adopted, it will be the first big concession to the business community by the conservative coalition government since its election on March 2.

The plan to impose tariffs on previously exempt consumer items has come under attack from the opposition Labor party, which claims it amounts to a "new tax" and hence breaks the coalition's election promises. In parliament yesterday ministers defended the revised scheme on the grounds it was now more "administratively workable".

Meanwhile, some government backbenchers and industry representatives remain unhappy at the compromise 3 per cent levy, claiming that this would still be an additional burden on manufacturers.

The coalition borrowed the original plan to abolish the tariff concession scheme from Labor – which unveiled the proposal during the election campaign, saying the A$1.3bn raised over the three-year parliamentary term would help fund its promises on health and welfare schemes.

The coalition, whose election promises were considerably more generous than Labor's, quickly added the funding initiative into its own plans.

However, in the wake of the election success, the new government faced a barrage of criticism from industry groups.

# Toyota to build US engine plant

By Haig Simonian, Motor Industry Correspondent

Toyota, Japan's biggest carmaker, yesterday announced plans to invest $400m on a new US plant in West Virginia to manufacture engines for its north American built Corolla model. The move marks a further step in Toyota's accelerating internationalisation and follows a decision to spend $700m on a new pick-up plant in Indiana.

The new engine factory, creating up to 300 jobs in an area of traditionally high unemployment, will build 300,000 engines a year when production starts in late 1998, according to Mr Hiroshi Okuda, Toyota's president. Once fully operational, Toyota will be able to fit locally made engines to all its north American built Corollas.

The group already has a factory in Georgetown, Kentucky, which makes 500,000 engines a year, and a unit in Canada building a further 90,000 units annually.

Toyota has boosted its US production capacity to raise output and lower its dependence on Japanese-built cars and components in the north American market, reducing its exposure to currency movements.

"Today's announcement of this new engine plant is yet another step in Toyota's localisation of all aspects of the vehicle production process," said Mr Okuda.

The announcement of the West Virginia plant is welcome news for the state and follows protracted negotiations over the plant's location. The site, about 30 miles (50km) north-west of Charleston, was selected after residents in the city of Milton refused to sell their land. Toyota also rejected two sites in western Maryland and one in Mineral Wells, West Virginia.

News reports said the Buffalo plant's engines will be sent to the carmaker's New United Motor Manufacturing plant in Fremont, California, a joint venture with General Motors.

Mr Okuda this week admitted that the US versions of his company's cars were inferior to those made in Japan. "In many respects our US operations are catching up," he was quoted as saying.

WORLD TRADE NEWS DIGEST

# Kinkel warns on sanctions

Mr Klaus Kinkel, Germany's foreign minister, yesterday warned the US it could face retaliatory measures from the European Union if third countries suffered under Washington's trade sanctions laws. He said the EU would not allow Washington to penalise third parties for doing business with targets of US trade sanctions such as Cuba, Iran and Libya.

"For reasons of principle, the European Union would have to consider countermeasures that would in turn have a negative effect on American trade and investment interests in Europe," Mr Kinkel said.

The bone of contention is the so-called Helms-Burton law, designed by the US Congress to tighten sanctions on Cuba after it shot down in March two aircraft piloted by exiles. One section of the four-part law would allow US citizens to sue foreign companies or people who profited from property or investments deemed to have been confiscated by Havana.

Under another section, people or employees of companies benefiting since March from such investments or property could be barred from entering the US. The EU reacted furiously and called for formal consultation with the World Trade Organisation, the first step under WTO rules to creating an official disputes panel.

Individual EU countries have also threatened to retaliate with entry restrictions of their own. *Reuter, Bonn*

## Porsche kits for Mexico

Porsche has begun assembly of sports cars for the first time outside Germany, at a BMW plant in Mexico. The 911 Series models are being produced from kits at BMW's new Toluca assembly facility, which recently began production of BMW's 3 Series saloons for the Mexican market.

Porsche's collaboration agreement with BMW is only the second with another manufacturer in its 50-year history. Its first was with Audi, Volkswagen's executive car division, on the Porsche 924 launched in the 1970s. The Porsches are being assembled by BMW's Mexican subsidiary, General BMW de Mexico, under the supervision of Porsche engineering staff.

The Mexican venture is modest in scale – between 75 and 100 cars a year – and has been created solely as a means of avoiding Mexico's ban on new car imports by any party not classified as a manufacturer. BMW envisages assembling only about 3,000 cars a year at the plant when fully on stream within the next three years. *John Griffiths, London*

## Vietnam signs $637m port deal

A consortium of three Asian companies has signed a $637m build-operate-transfer (BOT) contract with state-owned Vinamarine of Vietnam to construct a deep sea port at the southern city of Vung Tau.

The grouping consists of Evergreen International, a unit of the Taiwanese Evergreen shipping group, Malaysia's MMC Ports, a subsidiary of the Kuala Lumpur-listed Malaysian Mining Corp, and Tredia Resources, a Singapore-based company backed by Japanese and Malaysian investors. Total capacity at the Vung Tau port would be 48m tonnes of cargo when completed in 15 years. *Jeremy Grant, Hanoi*

## Jardine forms water venture

Hongkong Land Holdings, the property and infrastructure arm of the Jardine group, yesterday announced that it had teamed up with Temasek of Singapore and AIDC of Australia to form a $30m water treatment company to finance and develop projects in China.

Of the initial equity, divided equally between the partners, $25m will be invested in a joint venture with a local partner in Shenyang, the capital city of Liaoning province. The joint venture will fund and develop water supply facilities of 150,000 cubic metres per day. The move marks a significant step for Hongkong Land, which is seeking to expand its infrastructure activities in the region. AIDC is an investment company owned by the Australian government. Temasek is an investment holding company owned by the Singapore government. *John Ridding, Hong Kong*

■ Siebe, the international controls and appliances manufacturer, said yesterday it had won two Middle East orders for plant automation equipment worth £25m ($380m). JGC of Japan, which is building a liquefied natural gas plant in Qatar, has ordered Siebe safety shutdown and information systems for the 5m tonne-a-year development.

Control systems manufactured by Siebe's Foxboro subsidiary are also to be installed at a $1.4bn power plant near Riyadh, in Saudi Arabia. *Tim Burt, London*

# Dole attacks Clinton over Asia policy

By Jurek Martin, US Editor, in Washington

Senator Bob Dole, the US Senate majority leader, yesterday offered a sweeping indictment of the Clinton administration's Asia policies and proposed a new "Pacific democracy defence programme" aimed at blunting the threat of ballistic missile from China and North Korea.

The presumptive Republican presidential candidate also said that President Bill Clinton "should cease bilateral contacts with North Korea on proliferation and on diplomatic normalisation, until North Korea resumes direct discussions with South Korea."

Mr Dole's speech was the first set-piece address devoted to foreign policy since March, when he was virtually assured of the Republican nomination.

Mr Dole said there were "two myths" about the president's foreign affairs record. The first was that some recent achievements had rendered him "a capable foreign policy president." The second was that, "because the president and I believe in international engagement, free trade and peace in the Middle East, there are not major differences between us on America's global future." He maintained that the differences were "vast and fundamental", including Nato expansion, excessive reliance on the UN and the need for more effective ballistic missile defence.

But the speech also dealt with what he saw as problems specific to Asia. He said Japan, Taiwan and South Korea were directly exposed to ballistic missile threat and so it was time to make available US systems, such as theatre high-altitude air defence, to which, he said, they did not have access.

Mr Dole said the president had only "belatedly discovered" the importance of the security relationship with Japan on his trip to Tokyo last month. The administration had "provoked a trade war, lost it, and then declared victory." Even so, pressure on Japan to continue to open its markets should be maintained.

Mr Clinton, he charged, had also mishandled relations with Taiwan, particularly over the failure to offer "decent treatment" to President Lee Teng-hui on his US visit last year. Taiwan should, the senator added, also be provided with additional means of defence.

On North Korea, Mr Dole accused Mr Clinton of "dialogue for dialogue's sake – no strategic vision, no operational plan and no tactical co-ordination." Recommending further ostracism of Pyongyang, he said China had not been appraised in advance of the president's quadripartite talks initiative, involving both Koreas, the US and China.

The biggest part of his speech was on relations with China, where "the list of concerns and problems in the relationship is long and growing." But, he said, Mr Clinton had used a "scattershot" approach to China, jumping from trade to missile proliferation without internal consistency.

# Republican moderate budget move rejected

By Patti Waldmeir in Washington

The White House yesterday rejected a new, more moderate Republican proposal for balancing the US federal budget, as the two sides battled for the public relations advantage in this year's presidential election campaign.

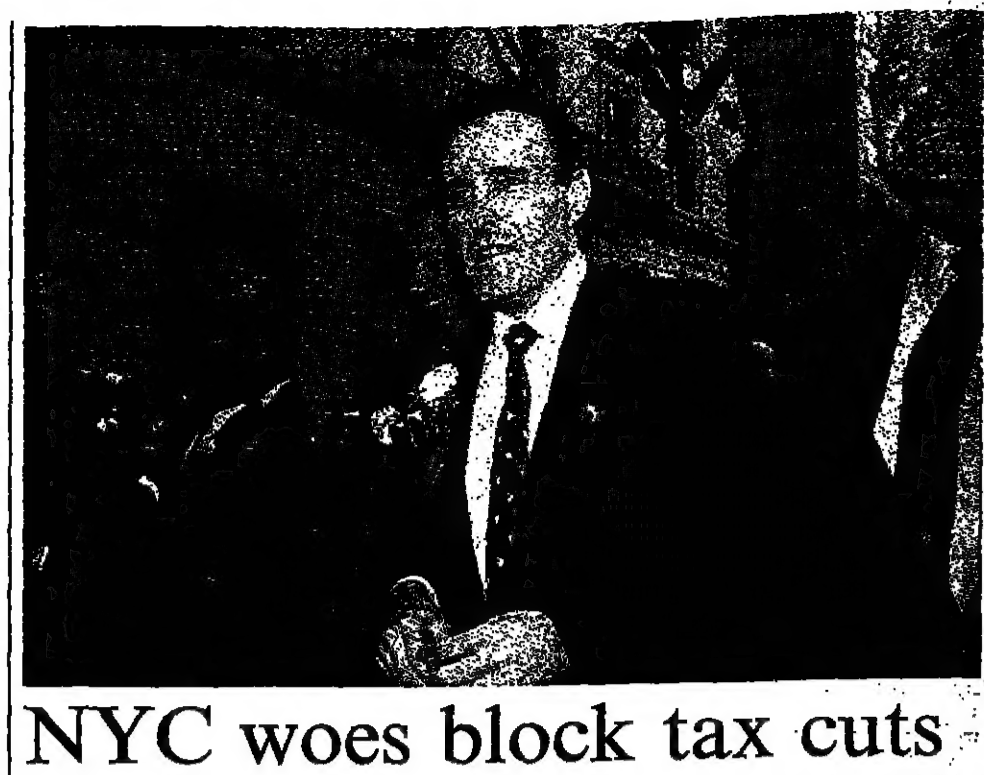
The White House chief spokesman, Mr Mike McCurry, said President Bill Clinton would veto a budget which followed the Republican proposal. But Mr Clinton himself later left the door open for negotiations, as he has done consistently in recent months. In improvised remarks, he said the new budget plan was "a movement in the right direction", adding, "I hope that this is the beginning of a process that will end in a . . . balanced budget."

With no immediate resumption of budget negotiations in sight, Democrats and Republicans remain deadlocked over the most sensitive legislative business now before Congress: the repeal of a 1993 petrol tax, an increase in the federal minimum wage, and plans to balance the federal budget by 2002.

Even so, the new Republican plan marks a significant shift in the party's position on how budget balance – a goal agreed by both sides – should be achieved. It calls for much smaller tax cuts and gentler reductions in the rate of growth in popular spending programmes, in an attempt to counter the image of political extremism created by the party's previous approach to budget balance. Republicans leaders date the decline in their popularity to their showdown early this year with the president over a tougher deficit reduction plan.

The current proposal is a faint shadow of Republican plans in 1995 to dismantle large chunks of the federal government, slash spending, overhaul public health programmes and provide large tax cuts. The Republicans' Contract with America proposed tax cuts costing $321m; the current proposal calls for $122m in cuts. The main tax break would be a $500 credit per child, an idea first proposed not by the Republicans but by Mr Clinton in 1994.

The latest Republican proposal narrows the gap between the two sides over the size of necessary savings, but wide disagreements remain over the policy changes needed to generate those savings. A main area of dispute is over federal control of welfare, Medicare (public health care for the elderly) and education, with the Republicans still fighting to give states control in these areas and the White House wanting power to remain at the centre.



# NYC woes block tax cuts

By Richard Tomkins in New York

New York City's financial crisis yesterday forced Mr Rudolph Giuliani, the city's mayor (pictured above), to shelve plans for tax cuts that had been expected to inject more life into the economy.

The cuts postponed include a local surcharge on personal income tax that costs the average working New Yorker $78 a year. But one tax cut saved by Mr Giuliani is a two-point reduction in the city's 8 per cent tax on clothing sales.

The mayor hopes that reduction will stem the flow of people shopping outside the city. But other cuts deferred involve property taxes on condominiums and apartment buildings run by co-operatives.

Mr Giuliani, the first Republican mayor of New York City in a generation, has championed tax cuts as a way to invigorate its ailing economy. However, since he took office at the beginning of 1994, many planned cuts have been stymied by the city's deep financial woes.

In spite of cuts in public services and the axing of about 20,000 jobs from the municipal workforce of 200,000, the city continually finds itself with insufficient revenue from taxation and other sources to cover its public service spending.

New York's planned spending in the fiscal year to start in July is $32.7bn, more than that of some countries. By law, it has to balance its books, but Mr Giuliani faces an expected shortfall in revenue of more than $2bn.

The main reason for New York's budgetary problems is a tradition of offering a high level of public services, supported by high taxes. The latter have driven people and businesses out of the city, leading to a reduction in the tax base and a need for yet higher taxes to support the city's spending.

This year, the leading US credit rating agencies threatened a further downgrading of the city's debt if New York did not get a grip on its financial problems. It already has one of the lowest debt ratings of any large US city, only two notches above junk bond status.



# Brazilian police courts backed

By Angus Foster in São Paulo

The Brazilian senate has blocked a proposal to scrap the country's special police courts, in an embarrassing setback for President Fernando Henrique Cardoso.

The proposal, which Mr Cardoso backed publicly after a massacre of at least 19 landless farmers by police last month, would have meant cases against police officers going to civil courts rather than special police tribunals.

Human rights groups claim that such tribunals are usually very lenient.

Senators supporting the police and big landowners combined to reject the original proposal. They intend to offer an alternative bill, which would give civil courts jurisdiction only over cases where police intended harm to victims. Police courts would continue to judge cases where any harm was alleged to be accidental.

Mr Hélio Bicudo, the Workers' Party politician who made the original proposal, said the alternative was "a mechanism to trick people. Who decides whether a crime is intentional or accidental is the police," he said.

Even if the alternative proposal is approved by the full senate, the bill has to return to the lower chamber of Congress. The slow legislative process in Brazil means final approval could take years.

Mr Cardoso's government, which is suffering domestic and international criticism for its slowness in addressing social problems, wanted to use the abolition of police courts as a concrete example of progress on human rights. It was also expected to be one of the main points of a National Plan for human rights, which the government was hoping to announce next week.

The setback is especially awkward because of continuing concern about the massacre last month, when police shot farmers blocking a road in the Amazon region. Mr Mário Pantoja, the police colonel who led the action, has claimed his officers did not hear his orders to cease fire. Independent coroners, however, say several of the dead farmers showed signs of summary execution, such as bullets fired from very close range.

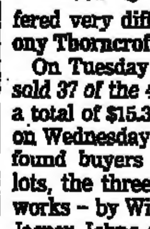
The killings prompted Mr Cardoso to try and accelerate the government's cautious land reform programme. But his efforts are already running into opposition in Congress, where many landowners from his own coalition oppose the measures.

**Brazilian President Fernando Henrique Cardoso's economic reform proposals are back on track after a damaging delay, the supreme court having upheld a government-backed amendment to the constitution's social security provisions, writes Angus Foster.**

**The reforms had been on hold since a supreme court judge granted an injunction last month. But the full court, on Wednesday night, ruled by 10:1 that Congress may resume voting on the social security changes.**

**The government had hoped for approval of most of its projects by next month, but the delay has made that look very optimistic. Many Congress members are expected to be absent later this year, involved in municipal elections in October.**

# Contrasted fortunes at NY sales



The big early summer sales of contemporary art at Sotheby's and Christie's in New York this week suffered very different fates, Antony Thorncroft writes.

On Tuesday night, Christie's sold 37 of the 46 lots offered for a total of $15.3m. (£10.1m). But, on Wednesday, while Sotheby's found buyers for 45 of its 59 lots, the three most important works – by Willem de Kooning, Jasper Johns and Franz Kline, each estimated at upwards of $2.5m – failed to sell.

As consolation, 16 of the 17 paintings from the collection of Helen Benjamin found buyers, for a total of $3.3m. The auction brought in $13.4m. (£8.8m.) and was 54 per cent sold by value. The top price was the $2.4m. for Study for Agony, painted by Arshile Gorky in 1947, shortly before his suicide.

# Paraguayan officers dismissed

Paraguayan President Juan Carlos Wasmosy has sacked 21 military supporters of General Lino Oviedo, who caused a crisis last month when he refused to step down as army chief, AP reports from Asunción.

The president's office announced late on Wednesday that 11 generals and 10 colonels, mostly from the cavalry, had been retired. The president also replaced Paraguay's deputy defence minister, General Abilio Giménez.

On April 23, after a 27-hour impasse which provoked fear of a military coup, Mr Wasmosy agreed to appoint Gen Oviedo defence minister on condition that he quit the army. But, after Gen Oviedo had retired, the president bowed to public pressure and revoked the agreement.

Gen Oviedo, who wants to run for the presidency in 1999, has launched a faction within the ruling Colorado Party.

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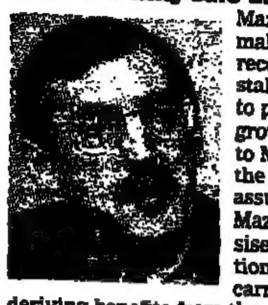
IN BRIEF

## Astra to proceed with NY listing

Astra, the Swedish pharmaceuticals group, met market expectations with an 11 per cent rise in first-quarter profits and said it would go ahead with a planned listing on the New York Stock Exchange this month in spite of a wave of adverse publicity in the US over sexual harassment allegations. Page 20

**Mazda identity safe under Ford, says chief**



Mazda, the Japanese carmaker in which Ford recently took a controlling stake, is on track to return to profitability and pursue a growth strategy, according to Mr Henry Wallace (left), the former Ford official who assumes the top post at Mazda in June. He emphasised that the closer relationship between the two carmakers was aimed at deriving benefits from the synergies of two independent companies, rather than at integrating Mazda completely into Ford. Page 23

**Veba profits defy falling sales**
Veba, the German utility group, announced a 19.1 per cent increase in pre-tax profits in the first quarter to DM1.01bn ($670m) in spite of a slight decrease in sales to DM18.2bn. It said a strong performance in the group's electricity division was instrumental in lifting first-quarter profits. Page 21

**BASF reports record earnings**
BASF, the German chemicals company, reported the strongest first-quarter earnings in its history, in spite of falling turnover and a weak European economy. Pre-tax profits for the three months to the end of March increased 27.3 per cent, from DM880m to DM1.12bn. Page 21

**Alcan to consolidate its revolution**
The revolution at Alcan of Canada, the world's second-biggest producer of aluminium, is not over. Since 1991, the group has cut annual costs by US$600m and has driven down debt by selling non-core assets worth about $1bn. However, Mr Jacques Bougie, president, says 1996 will be a year of consolidation. Page 22

**Inntrepreneur sells 33% of its pubs**
Inntrepreneur Estates, the pub joint venture owned by Grand Metropolitan of the UK and Foster's Brewing Group of Australia, has sold a third of its pubs for £262m ($398m). The buyer is Spring Inns, a vehicle set up in order to find an ultimate buyer for the 1,410 pubs. Page 24

**Nokia plunge pulls Helsinki down**
A 6.1 per cent plunge in the shares of Nokia, after the company reported sharply lower first-quarter pre-tax profits, pulled markets in Helsinki down. The disappointment spilled over into Ericsson, which contributed to a weak performance in Stockholm markets. Page 36

**Companies in this issue**



**Market Statistics**



**Chief price changes yesterday**

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| Hochtief | 605 | + | 11 |
| Rosenthal | 105 | + | 4 |
| Wella | 775 | + | 15 |
| **Falls** | | | |
| Mannesmann | 521.5 | − | 8.5 |
| SAP AG | 198 | − | 4.2 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| Checkpoint | 26¾ | + | 2⅞ |
| Cycare Systems | 45¾ | + | 3 |
| Diana Corp | 72⅞ | + | 8⅞ |
| Philippine | 57¾ | + | 2½ |
| United Tech | 108½ | + | 4¼ |
| **Falls** | | | |
| True North | 24¼ | − | 1⅛ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Anglo Pacific | 27 | + | 5 |
| Sentry Farming | 288 | + | 20 |
| Upland Ind | 77 | + | 12 |
| **Falls** | | | |
| ASW Holdings | 85 | − | 8 |
| Forminster | 58 | − | 37 |
| Telspec | 513 | − | 242 |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| Alliance Comms B | 14 | + | 1 |
| Dura Pharm | 16.85 | + | 1.4 |
| Harris Steel A | 8.4 | + | 0.8 |
| Inverpower | 9 | + | 1 |
| **Falls** | | | |
| Econ Tech | 7 | − | 0.5 |
| Synergistics A | 4.25 | − | 0.65 |
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| Casino | 203 | + | 7.2 |
| Ecco | 1258 | + | 48 |
| Fromageries Bel | 4900 | + | 150 |
| Pernod Ricard | 344.1 | + | 10.3 |
| Saint Gobain | 637 | + | 18 |
| Worms Cie | 280.5 | + | 12.5 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Nagasakiya | 743 | + | 58 |
| **Falls** | | | |
| Aica Corp | 371 | − | 18 |
| Daishowa Ppr | 900 | − | 50 |
| Kikkoman | 809 | − | 34 |
| Omron Corp | 2150 | − | 120 |
| Tobishima Corp | 471 | − | 28 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| Asean Res | 2.8 | + | 0.35 |
| Kunming Machine | 1.0 | + | 0.075 |
| Miramar Hotel | 16.7 | + | 0.6 |
| **Falls** | | | |
| Cons Elec Pwr | 12.7 | − | 0.7 |
| JCG | 6.55 | − | 0.25 |
| Peace Hill | 2.2 | − | 0.25 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| Allacted Hosp | 37.5 | + | 2.8 |
| Univentures | 34.5 | + | 2.5 |
| **Falls** | | | |
| Inoue Rubber | 69 | − | 6 |
| Int Cosmetics | 180 | − | 14 |
| Karat Sanitary | 99 | − | 6.5 |
| Serapon Foods | 59 | − | 6.5 |

New York and Toronto prices at 12:30.

# Shell posts record first-term profits

By Patrick Harverson in London

Shares in Royal Dutch/Shell jumped sharply yesterday on hopes that the Anglo-Dutch oil group would substantially increase its dividend payment later this year in the wake of a record first-quarter profits performance.

Higher oil prices, improved refining margins, strong cold weather-related oil and gas sales and early benefits from the restructuring programme all contributed to a 37 per cent increase in net profits to £1.74bn ($2.63bn) in the three months to March 31, compared with £1.74bn in the same period of the previous year.

Part of the increase came from £90m of special tax credits.

The results, calculated on a replacement cost of supplies basis, were better than the market had expected and prompted analysts to raise their full-year profits forecasts from about £4.8bn to more than £5bn.

However, it was the big improvement in cash generation which caught the eye of investors. During the quarter Shell generated £2.5bn from operations, against £1.8bn a year ago, and ended the period with net cash of £700m.

With the group committed to improving its return on capital employed to 12 per cent – in the first quarter the figure rose from 10.9 per cent to 11.3 per cent – analysts said they expected Shell to return much of its surplus cash to shareholders in the form of an increased annual dividend, which they believe could reach 38p this year (33.3p).

In London, hopes of a higher payout lifted the group's shares 35¼p to 887p.

The strong results and the rise in the share price indicated that Shell's performance and stock market rating has been unaffected by the recent bad publicity surrounding its activities in Nigeria and the furore over its plan to sink the Brent Spar oil platform in the North Sea.

However, the group continues to attract criticism over its environmental and human rights policies.

Yesterday, Pirc (Pensions Investment Research Consultants), the corporate governance group, called on Shell shareholders to vote against the report and accounts at the annual meeting next week in protest at the group's business interests in Nigeria.

A rise in the average oil price to $18.60 a barrel during the quarter, higher oil and gas sales because of the cold winter and lower costs helped exploration and production profits increase 61 per cent to £966m.

Refining and marketing profits rose to £643m, from £373m, thanks to improved refining margins, particularly in Asia, inventory gains and, again, the cold weather.

The one black spot was chemicals, where the downturn in the industry cycle from last year's peak saw profits more than halved to £165m, from £360m, as prices and margins fell sharply.

Earnings per share for Royal Dutch were Fl 5.22, against Fl 3.98, and for Shell, 19.1p, compared with 13.9p.

Lex, Page 18; Interview with Shell's Dutch president, Page 24; *Montell results, Page 21*

Telecoms company to fight link between fair trade conditions and pricing structure

# BT and regulator cross wires over the value of X

The authors of the 1984 Telecommunications Act did not – perhaps could not – have anticipated the vibrant competitiveness of today's telecommunications market. As a consequence, they have bequeathed the telecoms business and its regulator a source of legal conflict which threatens to derail the industry at a critical point in its evolution.

The issue will come to a head in three weeks when Mr Don Cruickshank, director-general of Oftel, the industry watchdog, sets out his plans for regulating many of British Telecommunication's prices to 2001, and ways of policing its trading behaviour.

He has already given sufficient hints of his intentions to dismay the industry. He wants to set a cap on most of BT's prices equal to inflation minus between 5 and 9 percentage points (usually called the value of X) and wants to insert a fair trading condition in BT's licence which would allow him to identify and deal more quickly and severely with anti-competitive behaviour.

Prices will fall in consequence and the consumer should benefit. But other operators think the cap is too tight, because to compete with BT they would have to set even lower prices. Mr Nicholas Mearing-Smith, finance director of Nynex, the cable operator, said last month the company would not have invested in the UK on its present scale if it had expected such regulation.

Sir Iain Vallance, BT chairman, spelled out his worries in a recent speech: "The UK is in imminent danger of creating disincentives to investment in the networks and services that will form the nervous system of the information society."

What makes the dispute between BT and Mr Cruickshank so acrimonious is that he has linked acceptance of his price plans to the fair trading condition.

"We do not understand why these are linked," says Mr John Butler, BT's head of regulatory affairs. BT is utterly opposed to the fair trading amendment, arguing that it gives Mr Cruickshank an absolute right to define anti-competitive behaviour and punish it accordingly. BT complains it would have no right of appeal against his judgments.

If a compromise cannot be agreed, BT may reject both cap and fair trading condition, prompting Mr Cruickshank to refer the issue to the Monopolies and Mergers Commission.

An MMC referral is expensive, absorbs senior executives' time and creates instability. The possibility has been cited as one cause (among many) of the breakdown of merger talks between BT and Cable and Wireless.

The dispute begs two questions. First, how can Oftel have arrived at a value of X which the entire industry regards as potentially damaging? Mr Cruickshank's first responsibility is to the consumer, but he has a duty to ensure his actions do not discourage investment. Second, why has he linked the cap and the fair trading condition and why is he unwilling to allow BT a right of appeal? The first question turns on assumptions about BT's cost of capital, its efficiency and the expansion of the market. Somewhere in the City of London a bank of BT computers churns away at its business model. It takes several days to complete a run, and if all possible variables were included it could take 2,000 millennia to complete the computation.


Don Cruickshank, left, and Iain Vallance, in weighty discussion

Oftel carries out similar analyses on its computers. Neither side uses the same model or the same data. There are commercial reasons for this. As one Oftel executive said: "BT's model would expose too much to us about the cost drivers in their business."

And Oftel cannot share data it is given in confidence by the 150 or so operators with which it deals. Mr Butler says, however: "It could share more than it is sharing at the moment."

Neither side has confidence in the other's calculations. This is par for the course between regulators and regulated. A value for X is likely to be agreed which BT may not like but which will not bring the apocalyptic consequences it fears.

The fair trading condition is another matter. Oftel says it must be linked to pricing because Mr Cruickshank intends to give BT new freedom to set many of its prices under the cap. Some form of effective policing will be essential. But BT cannot have an appeals procedure because of the law, Oftel argues. This apparent denial of natural justice stems from the 1984 Act which, according to Oftel, says Mr Cruickshank cannot give some other body the authority to override his decisions. BT's lawyers argue the opposite case and insist a compromise can be found. Their discussion turns on the question of whether a review of a decision means the same as an appeal against a decision.

Ironically, government plans to reform competition law would give BT the appeals procedure it is demanding. Legislation, however, is unlikely in the life of this parliament.

**Alan Cane**

# Compaq picks UK group for 3D graphics

By Louise Kehoe in San Francisco and Alan Cane in London

Compaq Computer, the world's largest personal computer manufacturer, has chosen advanced graphics technology from VideoLogic, a small UK company, for its next generation of home computers.

Compaq said it would include three-dimensional graphics circuit boards developed by VideoLogic in a new range of Presario home PCs, to be launched this year. The technology would bring arcade-quality 3D graphics to home computer games, Compaq said.

Although the value of the contract was not disclosed, it is expected to lead to a jump in VideoLogic's revenues. Compaq will purchase the 3D graphics boards from NEC of Japan, VideoLogic's manufacturing and development partner, for about $100 each. VideoLogic will receive royalties on every sale.

Last year, Compaq sold about 1.5m Presario PCs, according to industry analysts, and sales are expected to grow by up to 20 per cent this year.

Compaq's endorsement of the VideoLogic graphics boards could give the UK company a central role in the next generation of PC technology. As the world's leading PC manufacturer, with 1995 revenues of $14.8bn, Compaq often sets standards for the industry.

Compaq sees the 3D graphics boards creating a jump in home computer sales. Until now, the home PC had been regarded primarily as a productivity and educational tool, said Mr Rod Schrock, Compaq vice-president. The new graphics technology would "broaden the home PC appeal to consumers as the ultimate gaming and entertainment device". "3D graphics is the next important development in the PC industry," Merrill Lynch analysts said in a recent report. For loss-making VideoLogic, which had revenues for the six months to September 30 of £6.55m, the Compaq contract is a breakthrough.

The deal opens horizons for a company acknowledged as one of the UK's most technically innovative but which has been dogged by bad luck and poor returns.

Mr Tony Maclaren, VideoLogic chief executive, said the deal was "the most significant in the company's history". In London, Videologic's shares jumped 8½p to 82p.

# De Benedetti packaging unit to seek listing in Budapest

By Virginia Marsh in Budapest

Cofinec, a fast-growing central European packaging group founded in 1989 by Mr Carlo De Benedetti, the Italian industrialist, is expected shortly to announce plans to go public. It is believed to be considering a share offering for around half the company as well as listings on the Budapest stock exchange and a western European bourse. The offering, which would include a capital increase to fund further expansion in acquisitions, is expected to raise $75m-$100m.

If successful, Cofinec will become the first non-Hungarian company to list in Budapest. Although the exchange has been one of the best performing in the world this year, it has just 41 stocks with a total market capitalisation of about $3.4bn and is keen to attract more listings.

The largest shareholder in Cofinec is Cerus, the French holding company which groups Mr De Benedetti's non-Italian business interests.

Cofinec's chairman is Mr Hans-Jorg Rudloff, former head of investment bank CS First Boston in Europe. It has retained ING Barings and Credit Anstalt Securities, two of the most active players on the Budapest exchange, to advise it on the transaction.

The company – considered one of the former eastern bloc's first home-grown multinationals – has seen its turnover rise from $88m in 1993 to about $135m last year. It forecasts annual sales will rise to about $200m once its new $30m plant in Poland, due to open later this month, comes on stream.

Cofinec owns Petofi and Kner, Hungary's two leading packaging concerns which it acquired through privatisation in 1990 and 1992 respectively. In 1993 it purchased a 50 per cent stake and management control of Krpaco, a large Czech packaging company.

Its clients include consumer goods companies such as McDonald's, PepsiCo, General Electric of the US and Philip Morris.

Last year, Cofinec doubled its capital base through a FFr210m ($41m) capital increase which brought in several western institutional investors.

Cerus, whose stake was diluted to about 46 per cent after the capital increase, is expected to sell some of its stake in the planned offering. Mr De Benedetti, chairman of Olivetti, the troubled Italian group, plans to divest investment in non-core activities.

# German digital TV battle opens

By Frederick Stüdemann in Berlin

The German cartel office yesterday approved the formation of a digital television service company, MMBG, by a consortium of German broadcasters, Deutsche Telekom, the state-owned telecoms company, and Canal Plus, the French media group.

The cartel office ruled that despite many of the main players in the German television industry being involved in MMBG, the alliance would not hamper competition. The decision clears the way for a battle between Bertelsmann and KirchGroup, two of the biggest German TV companies, over the development of the pay-TV market.

MMBG was set up by Bertelsmann, the German public sector broadcasters ARD and ZDS, CLT of Luxembourg along with Canal Plus of France and Deutsche Telekom to develop a technological platform for digital television in Germany, with the possible aim of extending it across Europe. At the centre of its operations is the Mediabox, a set-top decoder for digitally transmitted television signals.

This week, Deutsche Telekom announced it had placed an order for 85,000 Mediaboxes on behalf of MMBG, which is yet to be formally established. Germany's only existing pay-TV network Premiere also said it had ordered 30,000 of the decoders to use in trials. Bertelsmann and Canal Plus control 75 per cent of Premiere, which has just over 1m subscribers.

KirchGroup was originally invited to join MMBG but has since decided to develop its own technology based around a decoder called the d-box being developed with Vebacom, a subsidiary of the utility Veba, and the retailing group Metro.

Until now, the KirchGroup seemed to have the lead in the race to establish digital pay-TV in Germany. The d-box is already in trials and the KirchGroup is this summer set to launch a pay-TV network, DF-1, which will use the decoder.

MMBG's Mediabox was developed by Société Européennes Control d'Access, a company jointly owned by Bertelsmann and Canal Plus.

Following the cartel ruling, the formal establishment of MMBG is expected within weeks.

# Astra meets expectations and confirms NY listing

By Hugh Carnegy in Stockholm

Astra, the Swedish pharmaceuticals group, yesterday met market expectations with an 11 per cent rise in first quarter profits and said it would go ahead with a planned listing on the New York Stock Exchange this month despite adverse publicity in the US over claims of sexual harassment.

The company kept up its recent record of returning profits growth ahead of sales increases, reporting pre-tax profits up from SKr3.1bn in the same period last year to SKr3.44bn ($505m). Earnings per share rose 10 per cent, from SKr3.63 to SKr3.99.

Group sales increased 8 per cent from SKr8.6bn to SKr9.3bn, driven by a 15 per cent increase in sales of its top product, the anti-ulcer drug Losec, one of the world's top two best-selling prescription drugs. In the US, where Astra has grown rapidly recently, sales rose 28 per cent to SKr2.45bn, including Astra's half share in Astra Merck, which sells Losec in the US.

As Astra had warned earlier, the result was affected by the much higher value of the Swedish krona in the period, compared with the same stage last year. It said group sales at constant exchange rates were up 16 per cent overall and by 39 per cent in the US. Sales of Losec increased 25 per cent under the same adjustment.

The result was in line with analysts' expectations and Astra shares were stable in a weak Stockholm stock market yesterday. The most-traded A share ended unchanged at SKr298.50.

The company, Sweden's biggest in terms of market capitalisation, confirmed that it planned to list its shares on the New York Stock Exchange on May 23. It would be the second Swedish company to do so, after the flotation of the truck maker Scania last month.

Mr Hakan Mogren, chief executive, refused to be diverted by the storm of publicity that hit Astra in the US last week over allegations of repeated sexual harassment of employees by senior executives in its US operation.

Astra suspended Mr Lars Bildman, its US chief executive, and two other senior officers pending its own investigation of the charges, levelled in a cover story in Business Week magazine and other journals. But the company said it was confident investors would judge that the affair would not affect its business operations.

In the first quarter, sales of Astra's second-ranking drug, the anti-asthma treatment Pulmicort, rose from SKr1bn to SKr1.1bn – although the company said the rise was 13 per cent calculated at constant exchange rates. Sales of Seloken, the "beta-blocker" cardiovascular agent, increased from SKr583m to SKr613m.

# Nordic players learn mobile phone numbers game

## Ericsson is less exposed to the price and growth factors which have hit Nokia, writes **Hugh Carnegy**

For most of the past three years, Nordic neighbours Ericsson and Nokia have ridden the worldwide surge in mobile telephone sales to dazzling profits growth and strong market positions in a booming industry.

Suddenly, they seem to have veered on to divergent paths.

On Wednesday, Sweden's Ericsson confidently reported a 28 per cent increase in first-quarter profits to SKr1.5bn ($220.2m), fuelled by a 36 per cent rise in mobile equipment sales. By contrast, Nokia, based in Finland, yesterday revealed a slump in pre-tax earnings from FM1.35bn to FM399m ($84m) as its mobile phone sales grew by just 10 per cent and its mobile phone division slipped into the red.

The recent problems of Nokia – and some subdued results from Motorola of the US, the third of the world's top three mobile equipment makers – have raised worries among many investors that the mobile boom has peaked.

A glance at Nokia's share price shows how serious these concerns are. From a peak of FM330 last September, it traded as low as FM130 early this year and yesterday was, at one stage, below FM150 once more.

Negative factors have clearly emerged in the past six months in the mobile business. In the US, the biggest single market, sales growth has flattened significantly as first generation networks, based on analogue technology, have matured, and the newly-licenced digital networks have yet to come fully on-stream. Early this year, the depressed economic climate in Europe also led to cooler sales growth in important markets such as the UK.

Meanwhile, prices for mobile handsets fell sharply last year and continue to tumble – by up to 25 per cent this year – as demand growth has eased and competition has increased from a growing number of suppliers. This has put sharp pressure on the high profit margins that the established producers previously enjoyed.

But if the industry is cooling, how was Ericsson able to report such strong first-quarter figures? The answer lies not so much in the state of the markets as in the structure of the different groups.

"The mobile sector is a long way from going ex-growth," says Mr Richard Kramer, telecoms analyst at Kleinwort Benson in London.

He estimates, for example, that there was 55 per cent growth in Europe in the first quarter compared with the same period last year, signalling only a marginal cooling in the rapid increases in demand. Asian markets are expanding at an even faster rate; most industry observers expect demand to rise again in the US once the new digital networks are live.

"In no way are we seeing any significant reverse in expectations for mobile telephony overall," Mr Jorma Ollila, Nokia's chief executive, insisted yesterday.

The reason Nokia has done much worse than Ericsson recently is that the Finnish company is much more exposed than its Swedish rival to those areas of the sector that have been most vulnerable to growth fluctuations and price falls.

Ericsson has two-thirds of its mobile business in infrastructure – that is, the radio base stations and switching gear which make up the cellular networks. These have been much less subject to margin pressures than the market for handsets. In addition, Ericsson is weighted towards GSM and GSM-related digital systems, which are the fastest growing segment of the worldwide market in both systems and handsets.

Nokia is also strong in GSM. But, to date, the bulk of its sales have been in handsets, where it is now struggling against falling prices and the slowdown in demand for analogue devices, which still make up 50 per cent of its handset sales. On top of that, Nokia has been plagued by logistical problems in its production processes – caused, ironically, by the difficulties of managing its rapid increases in output. Mr Ollila blames these problems for half of the recent reverse in performance.

Significantly, Nokia's infrastructure business showed a marked improvement in performance in the first quarter, lifting sales almost 40 per cent and pushing up profits.

Nokia is now looking increasingly to the infrastructure side to help restore its overall profit performance. But the handset business must also get back on track quickly if Nokia is to fulfil Mr Ollila's pledge of a much better result in the second half of the year.

# IRI shelves plans for break-up of Finmeccanica

By Andrew Hill in Milan

Finmeccanica, Italy's state-controlled industrial group, must halve its debt and dispose of non-strategic activities in preparation for privatisation next year, its majority shareholder said yesterday.

But IRI, the state holding company which owns 62 per cent of Finmeccanica, has shelved more aggressive plans to break the industrial group into two companies – one for civil activities and the other for defence and aerospace.

The break-up plan, prepared following a report from McKinsey, the management consultant, was favoured by Mr Michele Tedeschi, IRI's chairman, but strongly opposed by Finmeccanica's top management, headed by Mr Fabiano Fabiani, the chairman.

Mr Fabiani is one of the Italian industrialists closest to the centre-left alliance which won last month's elections, headed by Mr Romano Prodi, a former IRI chairman.

IRI insisted yesterday that the defence and aerospace activities, which include well-known manufacturers such as Alenia and Agusta, should be "totally separated" from the energy, transport and engineering activities, under the overall ownership of Finmeccanica. Finmeccanica said the group was already organised in this way.

A number of subsidiaries in the civil sector, such as Elsag Bailey Process Automation and Union Switch & Signal, are separately quoted.

Finmeccanica announced a consolidated group profit of L40.3bn ($25.9m) for the year to December 31 1995, slightly lower than the 1994 figure of L52.5bn. Net debt stood at L4,878bn at the end of 1995, an increase on the end-1994 figure of L4,411bn because of the repayment of L350bn owed to suppliers of Efim, the liquidated state holding company.

IRI said it wanted debt to come down by L2,000bn by the end of next year with a view to selling its majority stake then or at the beginning of 1998. Finmeccanica said yesterday it regarded the defence interests as an asset, and not a handicap to the sale of IRI's stake.

Finmeccanica said reduction of debt was "the group's main commitment", and would be realised through "drastic action to concentrate the company on core businesses" as well as joint ventures and alliances.

IRI has now given Finmeccanica the formal go-ahead to merge with the old Efim defence and aerospace companies, which are already wholly owned by the group.

## NEWS DIGEST

### Soditic to return with new partners

Soditic, once the scourge of the Swiss bond market cartel, is to ride again with a new set of partners. The financial services group, founded in Geneva in 1971 by Mr Maurice Dwek and taken over in 1990 by S.G. Warburg, is relaunching itself with six new partners from Warburg and financial backing from Smith Barney, the US investment bank, and Mercury Asset Management.

Smith Barney and MAM – once the fund management arm of the Warburg group – have each taken a 20 per cent stake in Soditic. The original investment banking business in Geneva, and most of its 60 employees, became redundant when Warburg was taken over by Swiss Bank Corporation last year. Soditic has no plans to return to bond issues. "The whole primary debt market in Switzerland has matured. The opportunities which existed in a cartelised market have gone," said Mr Francis Stobart, one of Soditic's new directors. Instead, the group plans to find niches in trade finance, loan syndication, leasing, merger advice and some equity dealing and placements. *George Graham, Banking Correspondent*

### Wasa snubs Trygg-Hansa offer

Wasa, the Swedish insurer, yesterday emphatically rejected a hostile bid by its local rival Trygg-Hansa in one of the fastest and most unusual takeover battles seen in Scandinavia. A meeting of representatives of Wasa's policyholders unanimously turned down a SKr1.5bn ($220m) offer for Wasa's non-life business launched by Trygg-Hansa on Tuesday afternoon after merger talks between the two groups had broken down. They elected instead to accept an internal restructuring under which Wasa Liv, the group's life insurance arm, will pay SKr1.04bn to the 420,000 non-life policyholders to merge the previously parallel mutual businesses into one structure, with the non-life operations run as a subsidiary of Wasa Liv. As part of the deal, Wasa's international partner, Eureko, will take 9.9 per cent of the non-life operations. *Hugh Carnegy, Stockholm*

### SAS group bids for Estonian Air

Scandinavian Airlines System has made a bid for 66 per cent of the state-owned airline Estonian Air, together with its partners Tallinna Pank, the Danish Investment Fund for Eastern Europe and Swedfund International. Under the plan, the Estonian government would keep 34 per cent, SAS would own 28 per cent and Tallinna Pank 17 per cent, while the Danish Investment Fund and Swedfund International would have 10.5 per cent each. The offer would provide Estonian Air with about $30m in capital. *AFX News, Stockholm*

### Avesta Sheffield up 76% pre-tax

Avesta Sheffield, the Anglo-Swedish specialist steelmaker, posted pre-tax profits for the 15 months to March 31 up 76 per cent from SKr2.7bn to SKr4.76bn ($698m). Sales rose from SKr22.79bn to SKr27.65bn. The group made operating profits of SKr4.63bn and net profits of SKr3.27bn. Earnings per share rose from SKr12.48 to SKr20.68. *AFX News, Stockholm*

■ Fokus Bank, the Norwegian bank, posted net profits for the first quarter down 10.6 per cent from NKr131m to NKr117m ($17.9m). Net interest income fell from NKr255m to NKr228m, while other income dropped from NKr117m to NKr97m. Loan loss provisions fell from NKr34m to NKr7m. *AFX News, Oslo*

■ Statoil, the Norwegian oil group, posted first quarter pre-tax profits of NKr3.8bn ($581m) against NKr5.3bn. Operating profits were unchanged at NKr4bn on sales up from NKr21.2bn to NKr24.3bn. Net profits fell from NKr1.8bn to NKr1.2bn. *AFX News, Oslo*

■ Seat, Volkswagen's Spanish subsidiary, posted losses of Pta3.03bn ($24m) in the first quarter, down 37.8 per cent from Pta4.88bn. Sales climbed 15.8 per cent to Pta145,194bn from Pta125,334bn, while vehicle output rose 16.2 per cent to 108,869 units. *AFX News, Barcelona*

# Veba upbeat as profits advance to DM1bn

By Frederick Stüdemann in Berlin

Veba, the German utility group, announced a 19.1 per cent increase in pre-tax profits in the first quarter of 1996 to DM1.01bn ($665m) despite a slight decrease in sales to DM18.2bn. Net earnings rose 21.1 per cent to DM474m.

The robust first-quarter figures prompted Veba, Germany's fourth-largest company, to state that it was confident it would improve on record 1995 pre-tax profits of DM3.8bn. The company said a strong performance in the group's electricity division, which benefited from Germany's long and harsh winter, was instrumental in boosting first-quarter profits. "The surge in earnings exceeded our expectations," Veba said.

But while profits in the electricity division rose in the first quarter, Veba said that there had been a 1.2 per cent fall in the division's sales, which the company attributed to price reductions after the abolition of Germany's coal levy from January 1.

The group's chemicals division recorded a 7.1 per cent drop in sales, which Veba said resulted from lower prices and a decline in demand.

The effects of the harsh winter on the German construction sector – and a generally unfavourable business climate – were blamed for a 0.8 per cent drop in sales in the group's trading, transportation and services division.

The oil and telecommunications divisions offered more positive news. Sales in the oil division increased 4.3 per cent, owing partly to higher crude oil prices.

Sales in the telecommunications division, which has gained importance in Veba's corporate strategy, rose 5.7 per cent, though the company said high start-up costs would continue to account for balance-sheet losses in the division.

Through its Vebacom subsidiary, Veba has made inroads into the German telecoms market in the run-up to liberalisation of the sector in 1998. Vebacom has a stake in E-Plus, the third and smallest of the country's three mobile telephone networks.

In the fixed network sector, Vebacom has formed an alliance with Cable and Wireless of the UK, in which the German company owns a 10 per cent stake, with the aim of competing head-on with Deutsche Telekom, Germany's state-owned telecoms company. Veba has said that it hopes to have secured 10 per cent of Germany's telecoms market by 2003.

# BASF forecasts flat 1996 after record first quarter

By Wolfgang Münchau in Frankfurt

BASF, the German chemicals company, reported the strongest first-quarter earnings in its history, despite falling turnover and a weak European economy.

Pre-tax profits for the three months to end-March increased 27.3 per cent, from DM880m to DM1.12bn ($738m), while sales declined 1.9 per cent to DM11.8bn.

Speaking at the company's annual meeting, Mr Jürgen Strube, chairman, gave an upbeat assessment for the rest of the year. "We will want to retain the earnings level [of 1995], which is an ambitious goal considering the weak economic climate," he said.

Last year, BASF made a pre-tax profit of DM4.13bn on sales of DM46.2bn. Mr Lutz Gruten, chemicals analyst at Kleinwort Benson Research, said BASF might well "achieve the goal of a flat result".

Mr Grüten said that on a strictly comparable basis, first-quarter 1996 earnings were actually down on 1995's – last year's first-quarter was affected by one-off valuation and restructuring losses.

BASF shares rose on the announcement but later fell back, closing down DM8 at DM411.50.

Since BASF's core businesses of chemicals, plastics and fibres are highly cyclical, the company has been trying to expand into less volatile areas, such as pharmaceuticals, with the purchase of the pharmaceutical interest of Boots, the UK chemists, and the recent DM500m purchase of a majority stake in Hokuriku Seiyaku, a Japanese drugs group.

A breakdown of BASF's first-quarter results shows sales in the health and nutrition division up 18 per cent, chemicals turnover down 8.3 per cent, and sales of plastics and fibres down 15.5 per cent. The falls in chemicals and plastics were largely the result of price cuts. The paints division reported a 2 per cent fall in sales.

The company said it had been affected by the difficult economic climate in Europe, and especially in Germany. Falling demand in construction-related sectors also hit prices.

The US business developed well, BASF said, while Japanese sales proved "continuously unsatisfactory", because of the weak economy and a 10 per cent devaluation of the yen against the D-Mark. However, strong profits in less cyclical areas and a sharp fall in currency-related losses more than compensated for the downturn in chemicals and plastics.

PROFILE:

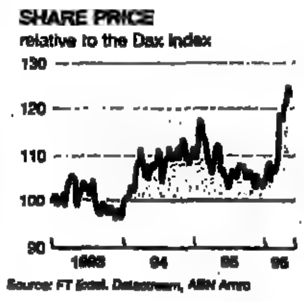
**BASF**

Market value: $15.37bn Main listing: Frankfurt

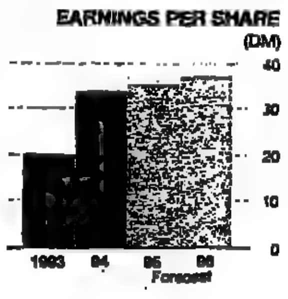
| | |
|---|---|
| Historic P/E | 11.03 |
| Gross yield | 4.2% |
| Earnings per share | DM 34 |
| Current share price | DM 414.50 |

Chairman Jürgen Strube

SHARE PRICE relative to the Dax index




EARNINGS PER SHARE (DM)




Source: FT Extel, Datastream, ABN Amro

# Subdued start to year leaves Bosch cautious

By Michael Lindemann in Stuttgart

Robert Bosch, the privately-owned German automotive and electronics group, yesterday said 1996 had got off to a slower than expected start – but it hoped to at least match 1995 net profits of DM560m ($362m), which were up 7.4 per cent. "I would even hope that profits would be a bit higher," said Mr Hermann Scholl, chief executive.

However, he said sales in the first quarter were 2.2 per cent down on the year-ago period, at about DM9bn. Figures for April, released yesterday, showed turnover 1 per cent higher in the first four months.

The subdued start looked likely to carry over into the rest of the year, the company said. Sales had earlier been expected to rise 8 per cent, but this forecast had recently been cut to 5 per cent.

Bosch's forecasts for 1995 and 1996 had been too high, Mr Scholl said, creating a problem with stocks which was difficult to correct quickly. More than other companies, Bosch needed to improve its return on sales because it required more money for research and development. The group, which is 92 per cent owned by the Robert Bosch Foundation, is one of the top 10 companies worldwide in registering new patents.

While Bosch's business in Germany last year declined DM200m to DM15.7bn, the percentage of foreign business continued to increase, rising from 54 per cent of group sales to 56 per cent, or DM20.1bn. However, Bosch said it still made about 65 per cent of its profits in Germany.

Sales, which last year rose 4 per cent to DM35.8bn – slightly faster than predicted – had been helped by the strong demand for injection systems for diesel engines, the company said.

However, because company information was leaking out to competitors, the Stuttgart-based group said it would again start producing some highly sensitive components – such as parts for its fuel injection systems – by itself and not rely on suppliers.

Keeping sensitive information out of competitors' hands was becoming increasingly difficult, Mr Scholl said.

Chinese and eastern European producers of electronic tools had in some cases copied the instructions word for word from the equivalent Bosch brochures.

# Czech PM refuses to back bank GDR issue

By Vincent Boland in Prague

Ceská Spořitelna, the big Czech savings bank, said yesterday it would press ahead with an international offering of Global Depositary Receipts despite the government's refusal to release shares from the state's stake in the bank.

The bank had proposed that the Czech National Property Fund (NPF), the state holding company, cut its stake by seven percentage points – to 38 per cent – by releasing the shares, which would then be converted into GDRs and sold to foreign investors.

Bank executives promoted the proposal as a means of further privatising Ceská Spořitelna. However, Mr Vaclav Klaus, the prime minister, ruled out GDR issues as an acceptable way of reducing the state's stakes in the three largest Czech banks.

Both Ceská Spořitelna and Bankers Trust, which is co-lead managing the issue with Deutsche Morgan Grenfell, said the offer would proceed as planned. "The roadshow begins next week in Europe," Bankers Trust said.

Ceská Spořitelna and its advisers are likely to have had alternative plans for sourcing the shares for the issue, which will be for between 5 per cent and 10 per cent of the bank's share capital and will not carry voting rights.

Shares in Ceská Spořitelna have risen sharply in recent weeks in anticipation of foreign investor interest.

Further bank privatisation will be one of the most important issues facing a the government after a general election at the end of this month.

The NPF is the biggest shareholder in the three main commercial banks and there is controversy over whether these should be cut further, and how.

"The government has nothing against GDRs," Mr Klaus said, "but we do not accept [their use] as a means of spontaneous privatisation." He described GDRs as "marginal" to the wider question of how to privatise the state's remaining banking stakes.

NEWS DIGEST

## Montell reports bulk plastics recovery

Montell, the world's largest producer of polypropylene, yesterday reported a modest recovery in the market for bulk plastics, posted operating profits of $42m in the first quarter. The company, launched last April as a joint venture between Montedison of Italy and Royal Dutch/Shell, reported an operating loss of $59m in the final quarter of last year. However, there had been a "significant recovery" in the first three months of this year, as prices and demand recovered, said Mr Peter Vogtländer, chief executive.

Sales rose 8 per cent, to $903m. While the results were well below those of last year, the company expected further rises in the second quarter. Montell achieved an operating profit of more than $200m on sales of nearly $1,100m in the first quarter of last year, on a pro-forma basis. *Jenny Luesby*

## AP Moller raises forecast

Mr Maersk McKinney Moller, chairman of the A.P. Moller shipping, shipbuilding and oil and gas empire, has raised the profits forecast for the group. He told the annual meeting of one of the group's main companies that profits in both the shipping and oil and gas businesses would improve on last year's. The group had previously forecast unchanged profits for shipping and slightly lower profits for oil and gas. The Danish company, which operates the world's largest fleet of container-carrying liner vessels and is the operating company for a consortium producing oil and gas from the Danish sector of the North Sea, reported sales of DKr28.5bn ($4.86bn) in 1995. Net profits increased from DKr1.59bn to DKr1.86bn. *Hilary Barnes, Copenhagen*

## Veag warns after DM140m loss

Veag, the east German utility, announced losses of DM140m ($92m) for 1995 and warned that a continuing fall in sales and price cuts granted to industrial customers would see further losses of DM150m this year. The company, which is owned by a consortium of west German utility companies, said receipts from electricity sales declined DM340m to DM5.82bn. "This was largely due to the operational start-up of municipal, regional and industrial power stations," Veag said.

Investment last year totalled DM2.4bn and was primarily concentrated on the development of power stations. This was the biggest investment in the company's history and prompted Veag to seek external financing for the first time. Interest rate payments formed a considerable burden on the balance sheet, the company said. Elsewhere, Veag said it was stepping up operations in the telecommunications sector where it is working in co-operation with the west German utilities RWE, VEW, and Viag, as well as with British Telecommunications. *Frederick Stüdemann, Berlin*

■ **Peugeot**, the French automotive group, posted sales up 1.3 per cent from FFr42.675bn to FFr43.24bn ($8.41bn) in the first quarter. Sales in France rose 1.5 per cent to FFr19.87bn, while foreign sales added 1.2 per cent to FFr23.37bn. The group sold 494,700 vehicles worldwide in the first quarter compared with 501,200 a year earlier, but sales in Europe grew. The European car market expanded 6.7 per cent in the first quarter from a year earlier, and the group's sales increased 4.9 per cent, Peugeot said. *AFX News, Paris*

■ **Saint Louis**, the French conglomerate, posted sales of FFr9.38bn ($1.83bn) in the first quarter, up 7 per cent from FFr8.76bn. The first-quarter sales figure was after deducting group divestments. *AFX News, Paris*

■ **Promodes**, the French retail group, posted first quarter consolidated sales up 5.6 per cent, from FFr22.62bn to FFr23.87bn ($4.64bn). At comparable exchange rates, sales rose 4.5 per cent. *AFX News, Paris*

# Alcan moves to consolidate its revolution

## Canadian aluminium producer is in the final stages of a rigorous restructuring process

The revolution at Alcan of Canada, the world's second-biggest producer of aluminium, is not yet over. Since 1991, the group has cut annual costs by US$600m, mainly by direct management action, and has driven down debt by selling non-core assets worth about $1bn.

Mr Jacques Bougie, the president who has supervised this painful programme – more than 10,000 jobs were eliminated, or 18 per cent of the global total – says 1996 will be a year of consolidation. But that does not mean it will be a year of inaction.

Although there are very few assets Alcan still wants to sell, the relentless drive to control costs is continuing. The company is putting the finishing touches to a five-year investment plan, a process which reflects Mr. Bougie's methodical approach to management.

Alcan has emerged as a streamlined organisation, concentrating on three main areas: raw materials and chemicals; power and smelting; and rolling. But Mr Bougie points out that streamlined does not necessarily mean smaller.

Since the divestiture programme began, Alcan has quit 40 businesses with more than 100 plants world-wide and combined annual sales of $2.5bn. "But by the end of 1997 we will have recouped these sales by growing aggressively our remaining businesses," Mr Bougie promises.

Some of the lost turnover has already been replaced. For example, Alcan has increased by 25 per cent capacity at its plant in Brazil, the only one in Latin America that can make sheet for beverage cans.

The company also acquired 35 per cent of the Aughinish alumina refinery in Ireland it did not already own.

In addition, the group has brought a new cold rolling mill in Logan, Kentucky, in to operation; expansion of its 50 per cent-owned Norf hot-rolling mill in Germany is complete; and modernisation of the Nachterstedt finishing plant in the former east Germany, is scheduled for completion this year. "And we have other things in the pipeline," says Mr Bougie.

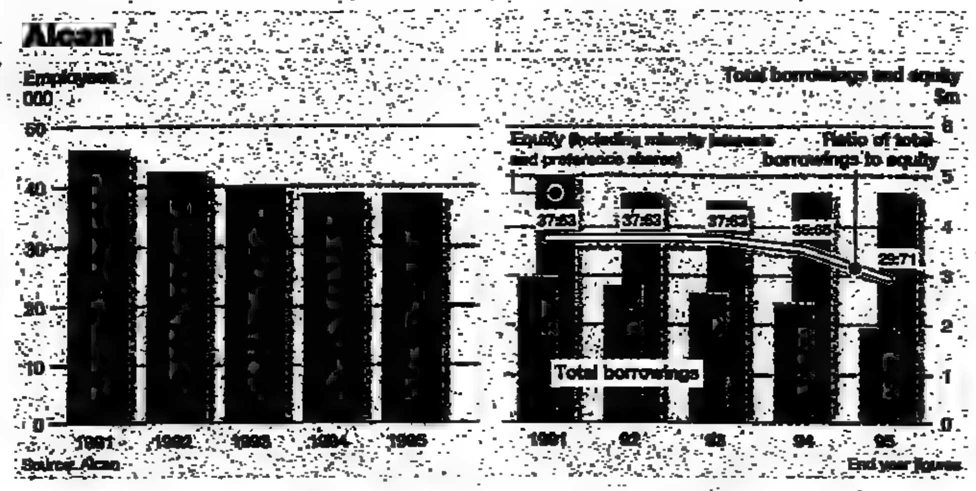
By the middle of 1996, each Alcan business will have finished an analysis to determine its full potential and will have a clear set of objectives and targets to meet. "And business unit managers will be held accountable for their achievements," says Mr Bougie.

The five-year investment plan is part of this process. All prospective investments have to fit the long-term strategy and meet the following criteria: is the project linked to Alcan's core competencies; are there sustainable competitive advantages; does the investment create shareholder value; and could someone else get more value from the investment?

**Alcan has quit 40 businesses with more than 100 plants world-wide and combined annual sales of $2.5bn**

Mr Bougie insists: "If the answer to the last point is yes, we should not proceed. We have to be confident that we are the best for the job in order to be assured of delivering superior returns on investment."

The careful preparation is designed "to ensure that the right decisions are made regarding capital expenditure and that we pace ourselves and do not get over-extended. Projects will not be approved on a first-come, first-served basis but will be ranked according to a series of financial and other tests to determine their respective merits".




Mr Bougie says: "While we want to grow the business, rest assured we are not interested in growth at any price. Alcan will not expend large sums to put up big top-line numbers that do not have a positive impact on the bottom line."

Alcan was almost brought to its knees in the early 1990s by the sudden jump from less than 500,000 tonnes to more than 2m tonnes a year in aluminium exports from Russia that pushed prices down to record lows.

The group was Canada's most profitable company in 1988, and then embarked on a modernisation and expansion programme for its smelters and rolling capacity that peaked at $1.5bn a year. Alcan's gearing rose to 37 per cent at that time, and from 1991 onwards it suffered four years of losses or break-even results.

Mr Bougie's logical approach was made very clear after the Russian shock. In 1992 Alcan undertook a study of the market outlook for aluminium. It looked at every product in every country and then at the viability of its 125 businesses.

That was decided, says Mr Bougie, by comparing the net present value of forward earnings for each business with the capital employed in that business. "That gave us an objective indicator of businesses that were potentially wealth creating, those that were wealth diluting, and those which were actually wealth destroying."

The study concluded aluminium was a good, growing business – demand is expected to advance by 2 to 3 per cent a year for the next 10 years – if a company was a low-cost producer. It also showed that Alcan had the assets, technology, and position to succeed.

Mr Bougie says that Alcan's raw material costs are higher than the industry average, so the group is considering developing a bauxite mine in Australia by 1999, which would cost at least $100m. There is also scope for a 30 per cent increase in its present alumina and aluminium smelting capacity.

"Rounding out" of rolling capacity in Europe could add 15 per cent to cold rolling there at very low capital cost, while a doubling of capacity in Brazil is being considered. Mr Bougie is deliberately vague about the timing of these increases.

The two fastest growing geographic markets for aluminium are China and India, where Alcan has been operating for many years. Nevertheless, a final decision about a potential 240,000 tonnes a year aluminium smelter in China – to be developed with partners – will not be made until 1999.

In India, where Alcan owns 35 per cent of the largest producer, Indal, "we are looking at what we might do, particularly in the rolled products area". Alcan will be one of the partners, with Indal, in a new alumina project there.

Mr Bougie says that by the end of this year Alcan's gearing should be down to 20 per cent, even though capital spending is scheduled to rise from about $450m to $600m.

At the end of the first quarter the group's debt-to-equity ratio was 27:73.

He sums up: "By the end of 1996 our cost base will be in place, we will have focused activities in our core businesses. We will have divested of non-strategic businesses. Our balance sheet will be in excellent shape and ready for the next recession. Our new rolling capacity will be fully on stream. And our management will no longer be looking back, it will be looking forward."

**Kenneth Gooding**

# Souza Cruz sells stake in Aracruz Celulose

By Angus Foster in São Paulo

Souza Cruz, the Brazilian arm of BAT, the UK tobacco and financial services company, has sold a 28 per cent stake in Aracruz Celulose, one of Brazil's biggest cellulose companies, to Anglo American of South Africa for US$250m.

Souza Cruz, which had indicated it planned to sell its holding in Aracruz last year, said that it wanted to concentrate on its core activities.

The company dominates Brazil's cigarette market and is an important tobacco leaf exporter.

Following the transaction, Anglo American will replace Souza Cruz as one of three companies controlling Aracruz, each with 28 per cent of its voting shares. The other two companies, both Brazilian, are the Safra Bank and the private Lorentzen group.

Souza Cruz sold nearly all its preference shares in Aracruz last year and intends to dispose of the remaining shares, equal to 1.1 per cent of the preference shares in issue, as soon as possible.

Anglo American already has significant investments in Brazil, including several gold mining properties and a half share in the Salobo mine system in the Amazon. Anglo and its Brazilian partner CVRD are studying possible investments in the area, which has significant deposits of copper, silver and gold.

Anglo American is making the investment via its pulp and paper subsidiary, Mondi. It is the company's first overseas foray into pulp, although it has forestry interests in Austria and the UK.

Mr Oliver Baring of SBC Warburg, which acted on behalf of Anglo American, described the investment as "a natural extension" to Anglo America's pulp and paper interests.

Anglo is thought to have been bidding against several other international companies. When Souza Cruz announced earlier this year that the stake was for sale, it said it expected to raise at least $230m.

Aracruz, which is one of the world's largest cellulose companies with annual sales of more than 1m tonnes, said the change in shareholders would have little effect on operations.

Souza Cruz became a shareholder in Aracruz in 1978, soon after the cellulose company's founding.

Souza Cruz, which has been divesting non-core businesses since 1992, intends to retain control of a cigarette paper factory it owns in Rio de Janeiro.

NEWS DIGEST

# US Industries sees turnround for year

US Industries, the conglomerate spun off by Hanson a year ago, increased net profit to $18m, or 35 cents per share, in the second quarter, compared with $10m on a like-for-like basis the year before. The company said it expected earnings in the range of $1.55 to $1.65 a share for the year, against a stated loss of $1.84 last year.

Net debt was almost unchanged from three months before, at $790m, giving a debt to capital ratio of 64 per cent. USI assumed $1.4bn of debt from Hanson at the time of the spin-off. The company said it was still on target to reduce net borrowings to $650m-$700m by the September year end.

Mr David Clarke, chairman, said the company had tentative agreements to sell three businesses for slightly over $10m. While several small purchases were planned, no big acquisitions had been found at the right price. "We have the financial capability to do a billion dollar deal," he said. "Our problem is there's an awful lot of money around."

USI said it expected operating profits in the third quarter to rise 30 to 40 per cent in its consumer division, 15 to 20 per cent in building products, and 10 to 15 per cent in its industrial division. All businesses been affected by severe winter weather in the second quarter.

The company bought back 1.2m shares in the quarter at a cost of $22m. It aimed to complete its programme of $50m by the September year end. *Tony Jackson, New York*

## Kmart warns of $61m charge

Kmart, the struggling US discount store group, warned that it would take an after-tax charge of $61m, or 13 cents a share, in the quarter to the end of April – the latest in a long series of poor results. The charge relates to the disposal of its PayLess drug store chain to Thrifty, another US drug store chain, at the end of 1993.

When Kmart sold PayLess, it received $592m in cash, $100m of subordinated debt securities, and a 47 per cent equity stake in the newly-combined Thrifty and PayLess company, named TCH. TCH was controlled by Leonard Green & Partners, a Los Angeles-based investment firm.

Since then, the drug store company has announced plans to float on the stock market through an initial public offering valuing the stock at $14 a share. Kmart, which is selling some of its shares in the offering, said this had led to a revaluation of its holding, leading to the first-quarter charge. It added that it planned to "monetise" the rest of its holdings in the next 12 months. *Richard Tomkins, New York*

## Equity funds prove attractive

Estimates of US mutual fund inflows in April suggest that investors increased their purchases of equity funds in the month. Flows into equity funds were estimated by the Investment Company Institute, the mutual fund industry association, to have been $23bn, up from $20.5bn in March.

At that rate it was the second-highest month on record, after January's $28.9bn flow into equities.

Most of the growth between March and April was through flows to global and international equity funds, according to Mr John Rea, ICI's chief economist. Flows in April were also boosted by people investing in retirement products to beat the tax deadline on April 15.

The Securities Industry Association said US investors bought $98bn of foreign securities in 1995, the second-highest year on record after the 1993 total of $143bn. Meanwhile, non-US investors poured $230bn into the US securities markets in 1995.

According to the ICI estimates, bond and income funds received no new money in aggregate, after flows into bond funds of $1.79bn in March.

Final figures for April will be published towards the end of this month, but the estimates are reckoned to be accurate within $500m. *Maggie Urry, New York*

## BCE sees sustained recovery

BCE, Canada's biggest telecommunications group, expects a substantial improvement in 1996 performance following its first-quarter turnround, said Mr Lynton Wilson, chairman.

The biggest subsidiary, Bell Canada, is restructuring and will continue to increase its contribution through the year, Mr Wilson said. Overall, BCE earned C$254m (US$186m), or 72 cents a share, in the first quarter, up from $155m, or 44 cents, a year earlier.

Mr Wilson said BCE's total revenues will rise by 8 to 10 per cent in 1996, to more than $27bn. *Robert Gibbens, Montreal*

# Bell Atlantic 'will retain Grupo Iusacell stake'

By Daniel Dombey in Mexico City

Bell Atlantic, the US Baby Bell phone company, yesterday denied reports that it was considering pulling out of its $1bn investment in Grupo Iusacell, a Mexican telecommunications company in which it has a 42 per cent stake. Bell Atlantic said it still believed in the long-term value of the investment, given "the enormous potential" of Mexican telecoms.

However, Iusacell criticised the Mexican government for delaying a local, fixed wireless concession. "I've been appalled. We thought that things would be concluded in a matter of weeks after February," said Mr Edward Kingman, Iusacell's finance chief.

Iusacell's original plan was to provide up to 1m new lines by 2000, but local rates are still too low to generate healthy profits.

"This is sabre-rattling. I think Iusacell is positioning to try to bring down the price for the part of the radio-electric spectrum they need for local service," said Mr Patrick Jurczak, of Nomura Research in New York. "There's no way that Bell Atlantic would walk away from its investment at this point in the cycle."

# Disposal assists Thomson

By Bernard Simon in Toronto

Gains from the sale of a newspaper in Aberdeen, Scotland, helped Thomson Corporation, the Canadian-controlled publishing and travel group, reduce its first-quarter loss.

However, these gains were partly offset by higher losses in North American scientific, medical and education publishing. Thomson blamed the deterioration on narrower margins, caused largely by seasonal factors which have been amplified as the business expands, including higher book returns.

The net loss fell to US$56m, or 9 cents a share, in the three months to March 31, from $73m, or 12 cents, a year earlier. Sales were virtually unchanged at $1.33bn.

A first-quarter loss is not unusual for Thomson, because of the seasonality of the travel business. Thomson Travel posted an operating loss of $31m, down from $34m.

The number of packaged holidays sold last winter was 2 per cent higher than the previous year. Summer 1996 bookings have fallen behind last year. Thomson said it would have fewer holidays to sell towards the end of the booking season, when discounting is fiercest, but that "it is too early to forecast the extent of any discounting that may be required".

Demand for UK holiday cottages has been "very strong", with bookings 18 per cent up on last year.

Sales of the international publishing division, excluding financial and professional publishing, grew 11 per cent. But operating losses almost tripled to $26m, concentrated mainly in the scientific, technical, medical and education sectors.

Mr Nigel Harrison, chief financial officer, forecast that the division's operating profit for the year as a whole would exceed that of 1995.

Operating profit at Thomson's North American newspapers dipped from $39m to $37m, due mainly to the impact of the severe winter on circulation, and to investment in new products.

## COMPANIES AND FINANCE: ASIA-PACIFIC

# Surprise at Swiss Telecom move

By Guy de Jonquières in Kuala Lumpur and Frances Williams in Geneva

Switzerland's national telecommunications monopoly has agreed to pay $300m in cash for 30 per cent of a company which seems set to be among the disappointed bidders competing to operate independent public telecommunications networks in Malaysia.

Swiss Telecom plans to acquire a stake in Mutiara Telecommunications, a private company which is owned by Mr Vincent Tan, head of Berjaya, one of Malaysia's largest conglomerates.

Mutiara, which operates Malaysia's largest mobile communications network and which has built two satellite earth stations, was set up less than two years ago. The company is believed by industry analysts still to be making a loss.

The deal caused astonishment in political and financial circles in Kuala Lumpur yesterday.

"I am very surprised at the price tag," said Mr Daim Zainuddin, senior economic adviser to Dr Mahathir Mohamad, Malaysia's prime minister. "Have they [Swiss Telecom] checked? Have they done due diligence?"

However, Swiss Telecom said yesterday the deal would not be finalised until it had the green light from the Malaysian authorities.

The company said that if Mutiara were refused a licence to operate a public telecommunications network, this could influence the outcome.

However, Swiss Telecom said it was also interested in the development of Mutiara's existing personal communications network services.

"We're confident that [Mutiara] is a good company," Swiss Telecom said.

Though Mutiara was one of five companies licensed last year to set up competitive public telecommunications services, the government has since decided that only three should go ahead. It has told the licence holders to consolidate through mergers or takeovers.

Mr Daim said the government had already decided that the three network operators would be Telekom Malaysia, the dominant carrier; Binariang, in which US West holds a 20 per cent stake; and Celcom, in which Deutsche Telekom is discussing acquiring an interest. "If Mutiara is not one of the three chosen service providers, it would be difficult to see much potential for its network," one analyst said. "On that basis, the deal seems very expensive for Swiss Telecom."

According to Mutiara, Swiss Telecom plans to use the Malaysian company's facilities to develop a regional hub for its Asian traffic and would provide Mutiara with technical and operational expertise.

The proceeds of the planned Swiss investment, which must still be approved by the Malaysian government, would be used to finance Mutiara's investments in the expansion of its mobile communications network and the launch of long-distance and international telecommunications services.

# Mazda identity safe under Ford, says new chief

By Michiyo Nakamoto in Tokyo

Mazda, the Japanese carmaker in which Ford recently took a controlling stake, is on track to return to profitability and pursue a growth strategy, according to Mr Henry Wallace, the *former Ford official* who assumes the top post at Mazda in June.

Mr Wallace was named Mazda president last month when Ford announced it would increase its stake in the struggling car company from 24 per cent to 33 per cent.

He emphasised that the closer relationship between the two carmakers was aimed at deriving benefits from the synergies of two independent companies, rather than at integrating Mazda completely in to Ford.

"Mazda is a separate company. It is a worldwide brand and it is very difficult to build a worldwide brand, so why would anyone think about making that disappear? The fact that we are going to have a relationship [with Ford] does not mean we are not going to produce different cars," he said.

His comments were aimed at allaying widespread fears in Japan – particularly in Hiroshima, Mazda's home town – that the US company's larger stake signified an end to Mazda's independence.

"This is a strategy to build Mazda. It is in our interests at Mazda and at Ford to build on Mazda's strong brand," said Mr Wallace, who will be the first foreigner to head a big Japanese carmaker.

*To that end, Mazda will* continue with its restructuring programme. The number of employees has already fallen from 30,000 to just below 26,000 and cash flow management has improved.

Mr Wallace said Mazda still needed to look for efficiencies, but not through forced redundancies, plant closures or a dramatic reduction in the product range. Instead, he said, it was looking at natural attrition of the workforce, rebalancing product lines to make capacity more flexible, and increasingly sharing platforms between different models. "The point is to give yourself an array of products, but at the same time rationalise platforms so that you can do that in an efficient way." Mr Wallace said.

Mazda has also adopted a four-part strategy to tackle the problems of its dependence on overseas markets – 50 per cent of its revenues come from outside Japan – and the concentration of production at home, where costs are among the highest in the world.

# Goodman pulls out of Bunge link-up

By Nikki Tait in Sydney

Goodman Fielder, Australasia's largest food manufacturer, yesterday pulled out of its proposed A$800m (US$640.6m) milling and baking joint venture with Bunge Industrial, part of the South American food group.

"Following the due diligence process, the parties have not been able to agree on a mutually acceptable value for the assets involved," said Mr David Hearn, Goodman's chief executive.

The original deal, announced more than a year ago, would have seen the two companies pool their milling, baking and wheat starch businesses. This merged operation would have had sales of around A$800m, with Goodman holding 67 per cent and Bunge, 33 per cent. According to Mr Barry Weir, Mr Hearn's predecessor, it would have been one of the world's largest milling and baking entities.

However, the scheme fell foul of Australia's competition authorities, prompting Goodman and Bunge to hold new talks. In March, Mr Hearn said the groups had agreed a new scheme - this time, with approval from the Australian Competition and Consumer Commission. However, he declined to reveal details until due diligence had been completed.

Yesterday, Goodman acknowledged that the collapse of talks was disappointing, and that the merger would have meant cost-savings, in what is still seen as a difficult and competitive market. But it said one reason for not proceeding was the better performance of its own milling and baking operations in the 18 months since negotiations first started.

## NEWS DIGEST

# MIM oil and gas business for sale

MIM, the Queensland-based mining group, is continuing its restructuring by putting its oil and gas business up for sale. MIM has been shedding non-core investments, and pruning operations back to its main mining business. The process has gained fresh impetus recently. The group is currently spinning off its 65 per cent stake in Highlands Gold, the Papua New Guinea-based mining company, to shareholders for A$238m (US$190.6m).

"MIM is focusing on minerals such as copper, gold and silver, lead and zinc," Mr Nick Stump, MIM's chief executive, said yesterday. "The oil and gas business does not fit strategically within MIM's minerals-based future." Mr Stump said the entire business would be sold, through a single, "highly-targeted" trade sale.

In the context of the group, the oil and gas assets are relatively small. The main investments include an effective 7 per cent interest in the SE Gobe oil project in PNG. The company is also involved in the Bentu gas project in central Sumatra. It has further exploration acreage, notably in Australia and PNG. MIM said it would retain the south-west Queensland gas properties "because of their strategic value" to the main Mount Isa operations. *Nikki Tait, Sydney*

## Lend Lease may float trust

Lend Lease, the Australian financial and property services group, is considering the A$500m public flotation later this year of a new property trust which would invest in its A$1bn Darling Park project in the centre of Sydney.

The company, which is developing the project as a joint venture with Nomura Real Estate and Toyo Real Estate, said that by 2000 the area between Sydney's central business district and Darling Harbour would contain the existing IBM office tower; a second offer tower of similar size; and a waterfront and entertainment complex. These would be linked by an urban park.

The trust would raise money to buy a half-share in the IBM tower, which houses the John Fairfax newspaper group, at independent valuation; a half-share in the second tower at cost; and at least 50 per cent of the waterfront assets, also at cost. Ord Minnett is advising on the scheme. *Nikki Tait*

## Kaal Australia buys Alcoa mill

Kaal Australia, a joint venture between Japan's Kobe Steel and Aluminum Company of America (Alcoa), is buying the rolled products division of Alcoa of Australia for A$100m. Alcoa of Australia, the world's largest alumina producer, is owned by Alcoa in the US (60 per cent) and Australia's WMC (40 per cent).

Kaal Australia was formed late last year and has bought the New South Wales-based rolling operations of Comalco, the intergrated aluminium company owned by RTZ-CRA. It said yesterday the combined operation of the two mills would provide a combined annual capacity of around 165,000 tonnes. *Nikki Tait*

## Indo Gulf Fertilisers ahead

Indo Gulf Fertilisers, one of India's largest fertiliser manufacturers, lifted full-year pre-tax profits 8 per cent to Rs1.95bn ($56.4m). Turnover in the year to March 31 rose 30 per cent to Rs5.66bn.

Net profits declined 18 per cent to Rs1.45bn because of a higher tax provision of Rs495m, against Rs114m. Earnings per share fell to Rs7.76 from Rs9.

The company's gas-based fertiliser factory at Jagdishpur in Uttar Pradesh raised urea production to 896,000 tonnes from 784,000 tonnes. The company said it would build a copper smelter with capacity of 100,000 tonnes a year at Dahej in Gujarat for Rs16bn. The project is to be commissioned in the first quarter of 1998. *Kunal Bose, Calcutta*

## Shiseido raises French interest

Shiseido, the Japanese cosmetics company, has bought the 50 per cent stake in its Shiseido France unit held by Pierre Fabre. No financial details were given. Shiseido said it had also reduced its stake in Pierre Fabre Japan to 50 per cent from 51 per cent, while Pierre Fabre's stake in its unit had risen to 50 per cent from 49 per cent. *AFX-Asia, Tokyo*

# Carter Holt Harvey enjoys record year

By Terry Hall in Wellington

Carter Holt Harvey, the New Zealand pulp and paper group, edged ahead by 2 per cent to a record NZ$453m (US$311.9m) net profit for the year to March 31. The group pointed out that earnings had slowed sharply in the second half, reflecting highly competitive conditions and weak demand in several key markets.

Mr John Faraci, chief executive officer, said he expected the next six months to be difficult, although the outlook was "certainly more positive" than three months ago. Signs were emerging of improving prices and demand in pulp and paper markets.

The company, which is 51 per cent owned by International Paper of the US, said reduced housing starts in Australia had hit the company's building products businesses there and timber exports from New Zealand. This became more pronounced as the year progressed.

The rapid rise in international pulp and paper prices during the first half of the year did a "complete about-turn" in the second half. This was reflected in the profit of NZ$182m in the second half, compared with NZ$271m in the first six months.

Mr Faraci said the results were better than many of its competitors. The emphasis on value-added downstream processing in wood products, tissue and packaging enabled the company to offset the commodity price declines.

Growth in the company's forest resource over the next decade would be committed to further downstream processing and finding markets that were less cyclical and offered strong prospects.

Earnings before interest and tax were NZ$545m, down from NZ$570m last year. Sales rose 13 per cent to NZ$3.1bn.

# Inntrepreneur sells 33% of its pubs for £262m

By David Blackwell

Inntrepreneur Estates, the pub joint venture owned by Grand Metropolitan of the UK and Foster's Brewing Group of Australia, yesterday sold a third of its pubs for £262m.

The buyer is Spring Inns, a vehicle set up in order to find an ultimate buyer for the 1,410 pubs.

Inntrepreneur, which is retaining 2,900 pubs, will use the proceeds to cut debt from about £760m.

Analysts said the move marked a further step in the rehabilitation of Inntrepreneur, and could make flotation a more viable option.

The value of the pubs being sold – which amounted to £185,000 each – implied the portfolio was high quality, and would attract buyers from regional brewers and expanding pub groups.

Mr Mike Foster, the chief executive appointed last July, said the sale would reduce borrowings and give the group flexibility to invest in its remaining pubs.

They would also be managed more intensely, with one manager looking after 40 to 50 pubs instead of 100 as now.

"It is all about financial headroom and management focus," said Mr Foster.

There was "nothing tricksy about the deal", which was merely a vehicle to perform a management task.

Spring Inns, funded by a syndicate of banks led by NatWest, is hoping to find a single buyer, but is open to offers for packages of pubs.

Its chief executive is Mr Dick Hayes, the former Courage director who was chief executive of Phoenix Inns.

Phoenix was a subsidiary of Morgan Grenfell, the merchant bank, in a similar so-called warehousing operation last year, when it bought 1,750 pubs for £254m cash from Inntrepreneur.

Phoenix has since been bought by Nomura, the Japanese securities house.

Inntrepreneur was created in 1991 to pool Foster's and GrandMet's 8,500 pubs after Courage took over GrandMet's brewing operations. Observers have criticised GrandMet for running the venture more like a property company than a pub estate.

Foster's has since disposed of Courage to Scottish & Newcastle.

Mr Foster, who used to be chairman of Courage, said at the time of his appointment that there was "a helluva lot of work to do on the structure and strategy at Inntrepreneur to unlock the value for the shareholders".

Yesterday, he said that reducing the debt to £500m would make a lot of difference to the amount of investment he could make in the core pubs, which stretch between London, Bristol and York.

All the pubs which have been put up for sale are tenanted.

A number of the pubs had 20-year leases that some of the landlords found onerous when the value of their pubs declined during the recession.

The beer supply agreement – originally with Courage, now with Scottish & Newcastle – remains unaffected until March 1998.

# Shell bares its soul-searching

## Cor Herkströter, the company's Dutch president, explains the group's priorities to David Lascelles

Royal Dutch Shell's management has succeeded in keeping a remarkably low profile in recent months considering the glare of publicity caused by the Brent Spar fiasco and the Ken Saro-Wiwa affair in Nigeria.

But yesterday Mr Cor Herkströter, the company's Dutch president, emerged to give his first interview to the British press since these rows broke over the company last year. Seated on the 24th floor of the Shell Tower on London's South Bank, he spoke of the soul-searching Shell has gone through, in the most traumatic of his four years in the job.

Quietly spoken, in a sober dark blue suit, Mr Herkströter is the epitome of the low-key Dutch businessman, bred in a country where change comes from consensus rather than confrontation.

The uproar over Brent Spar came as a surprise, he admitted. Shell was convinced it was doing the right thing in trying to dump the installation in the North Atlantic. "But we have now learnt that there is a difference between feeling you are right, and being perceived to be right."

Shell is still considering what to do with the Brent Spar, now moored in a Norwegian fjord.

Nigeria was different. Unlike the operational issues raised by Brent Spar, vital interests were at stake. Shell resisted public pressure to abandon a planned investment project after the execution of Ken Saro-Wiwa, the Ogoni activist. "We want a constructive solution. Leaving Nigeria doesn't get you that. It is much more constructive to stay there and do the right things, such as reconciliation."

Had Nigeria and Brent Spar done lasting damage to Shell? There was certainly nothing in yesterday's strong first-quarter results to suggest they had. And Mr Herkströter thinks not.

In any case, Shell has been going through an internal reorganisation which is now boosting profits. In January, a structure was introduced to shorten lines of communication and put individuals under stronger pressure to perform. Mr Herkströter is pleased with the changes because they hold out the prospect of better returns on capital, though he declines to set a date when the target of 12 per cent will be achieved – it was 10.6 per cent last year.

Ashley Ashwood

Cor Herkströter: 'I see no reason for pessimism if you have confidence in your own capabilities'

Like many of the world's top oil companies, Shell has stripped down to basics by selling its metals, coal and much of its chemicals operations. "We are back to the core business, where we see scope for substantial further development."

The first quarter of this year was good because oil prices and refining margins were high. But those are largely beyond Shell's control, and the benefits could melt away. Mr Herkströter wants to ensure Shell is always positioned to make the best of market conditions. However, he is not enormously bullish on oil prices. He sees a market with ample supply where the price pressure is, if anything, downwards.

He also sees economic storm clouds looming over Europe. "European countries are not doing as well as we had hoped two years ago. I am not thinking in terms of a recession but of slower growth. "Europe has no choice if it wants to compete with the rest of the world," he says, stressing it is up to the politicians to follow the internationalist lead of companies like Shell.

Looking ahead, he thinks the main challenge facing Shell is to find at least as much new oil as it produces each year. He is confident it can do so by exploiting new projects in the former Soviet Union, the Gulf of Mexico and elsewhere in Latin America. "I see no reason for pessimism if you have sufficient confidence in your own capabilities." Shell will remain basically an energy company, he thinks, though in the longer run it may get into more exotic forms of energy, particularly if the environmental constraints on oil and gas begin to bite.

Much of what Mr Herkströter says comes back to the need to be more willing to listen and learn. So which companies does Shell think it can learn from? "We try to learn from everybody. If you have an edge over your competitors, it may last for only six months. That is the nature of the business."

## NEWS DIGEST

# Scot Power plan for 'multi-utility'

Scottish Power, the vertically-integrated electric power group, is planning to challenge British Telecom and British Gas in central Scotland.

The company's plan to become a "multi-utility" – through its move into telecommunications and retail gas supply – is based on the belief that it can leverage existing customer loyalty. The idea was unveiled yesterday as part of the annual results presentation. Pre-tax profits rose 8 per cent to £404.8m ($615m) in the year to March 31. Sales of £2.27bn (£1.72bn) included £439.4m from Manweb, the regional electricity company for Merseyside and North Wales, in the six months since acquisition.

Mr Ian Russell, finance director, said he expected its Scottish Telecom subsidiary to achieve turnover of £300m in five years and pre-tax profits of more than £20m. Similar figures were expected from retail gas supply, but that business had the potential to make more money over a shorter time scale. Scottish Power has 1.7m retail electricity customers, of which 1m are also British Gas users.

Scottish Telecom received investment of £60m and incurred a small loss last year – its first full year of operation. It is budgeted to break even this year. Mr Russell said it might need up to £40m further investment. He said the gas business would not require investment in fixed assets, but systems changes, primarily in the billing area, to enable it to charge for more than one service.

"There cannot be too many companies who have 1m customers they can cross-sell to," Mr Russell said. "Come 1998 we will be able to sell to those customers." *Simon Holberton*

## Lyonnaise to shed stake

Lyonnaise des Eaux is looking for other investors to share the burden of its involvement in Northumbrian Water and help recoup some £500m of the £823m it paid for the group last year.

The French company intends to sell a total of 25 per cent in Northumbrian Water Group – which includes a number of smaller supply companies as well as Northumbrian Water – thereby reducing its investment to about £250m.

A joint venture company formed by Lyonnaise Europe and United Water Resources, a New Jersey-based concern, bought a 20 per cent stake in Northumbrian on Wednesday for £159m. UWR is 26 per cent owned by Lyonnaise des Eaux.

The French group said it intended to place a further 15 per cent with institutional investors.

Mr Mike Taylor, Northumbrian group finance director, said: "It is part of Lyonnaise's philosophy to retain management control without owning 100 per cent of a company...It's different to UK business philosophy."

The deal was described by one City analyst as "a piece of French rigmarole."

Other subsidiaries in which Lyonnaise owns a 60 per cent plus stake include Degremont, its water purification unit.

As part of its agreement with Ofwat, the industry regulator, the French group also agreed to relist Northumbrian by 2005. *Jane Martinson*

## BAT arm sells Aracruz shares

Souza Cruz, the Brazilian subsidiary of BAT Industries, is selling its 137.5m common shares in Aracruz Celulose, the Rio de Janeiro-based pulp producer, for $250m (£164.4m).

The buyer is Mondi Brazil, a subsidiary of the Anglo American Corporation of South Africa. The profit for BAT is expected to be about $50m before tax and minorities.

Aracruz is the world's largest producer of bleached hardwood kraft market pulp and the stake represents 28 per cent of its voting shares and 11 per cent of its total capital.

The disposal reflects Souza Cruz's strategy of focusing on its core tobacco business and virtually completes the divestiture of its interest in Aracruz.

## BTR in Chinese joint venture

BTR is spending £5.8m on a joint venture to manufacture plastic food and drinks containers in China.

The industrial group has acquired a 40 per cent stake in the Beijing Greatwall Plastics Company – it makes polyethylene terephthalate (PET) packaging – from China Beverages and Foodstuffs Import and Export Corporation and a further 30 per cent from Hong Kong-based AS Watson.

BTR indicated that its stake would increase to 80 per cent under an agreement with the Beijing Dongguantou Allied company, its remaining joint venture partner in the business.

## LFT option on gold project

London Fiduciary Trust, the Aim-listed gold miner with operations in the Philippines, has taken an option to pay $10m (£6.6m) for the Masbate gold project on Masbate Island, and an option to pay not more than $2m for the Banahaw gold project, Mindanao Island.

If the acquisitions are completed they would increase LFT's proven and probable reserves from the 879,000 ounces reported last year to 4.9m ounces. Mr Fred Mason, new head of operations, said these and LFT's existing Masara mine, had the potential to lift group annual production to 200,000 ounces by the end of 1997. *Kenneth Gooding*



# First quarter fall at Willis Corroon

By Ralph Atkins, Insurance Correspondent

Willis Corroon yesterday warned that trading conditions in insurance broking continued to deteriorate as it announced first-quarter 1996 pre-tax profits of £48.1m ($73.1m) down from £48.5m last time.

The figures highlighted the difficulties Willis faces as falling insurance premium rates and fierce competition curb turnover growth and offset the beneficial effects of a sweeping cost-cutting programme launched 18 months ago.

Mr John Reeve, executive chairman, said Willis continues to review all its operations and group strategy.

He did not rule out takeovers or mergers among the world's six biggest brokers, which include Willis, but said he was "highly sceptical about the risks involved in amalgamation."

Willis increased turnover in the three months to March 31 to £198.5m against £195.5m last time, despite substantial premium rate falls.

"There isn't a market that we operate in which isn't at least soft and some of them are worse than that," said Mr Reeve. Recent marine rate reductions have approached 25 per cent, he added.

Willis attracted new business to offset the falling prices. It said its cost-cutting programme, launched in November 1994, would save £39m this year. But the impact of those savings were not fully reflected in these figures, which show expenses on continuing operations of £162m (£160m).

In addition, the disposal of interests in Heddington Brokers and Gryphon Holdings, the US insurance group, cut Willis' share of profits from associates from £5.5m to £2.4m.

The group said disposals and the timing of some contracts would mean the first quarter profits would contribute a lower proportion of full year profits than in the past.

Mr Reeve expects to give details of future restructuring in November.

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Dividends: Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Anglo Irish Bank§ | 6 mths to Mar 31 | - | (-) | 11.2 | (8.5) | 3.44 | (2.63) | 1.8 | July 18 | 1.36 | - | 3.38 |
| Brown (N) | 53 weeks to Mar 2 | 230 | (208) | 31.2 | (26.5) | 14.42 | (12.32) | 4.1 | July 26 | 3.45 | 5.7 | 4.8 |
| Capital Radio | 6 mths to Mar 31 | 38.1 | (31.9) | 15.6 | (12.7) | 14.1 | (11.5) | 4 | July 1 | 3.25 | - | 10.25 |
| Clyde Blowers | 6 mths to Feb 28 | 21.5 | (14.1) | 0.931 | (0.855♥) | 7.59 | (5.79) | 2.87 | July 18 | 2 | - | 6 |
| Lynx Holdings | 6 mths to Mar 31 | 38.1 | (12.6) | 2.1♠ | (0.741) | 1.73† | (1.27) | 0.45 | Aug 1 | 0.4 | - | 1.58 |
| Prowting | Yr to Feb 29 | 107.7 | (96.8) | 6.02 | (9.55) | 4.7 | (7.8) | 1.9 | July 15 | 1.9 | 3.8 | 3.8 |
| Raphael Zorn Φ | 6 mths to Mar 31 | 2.31 | (1.52) | 0.741 | (0.075L) | 5.3 | (0.6L) | - | - | - | - | - |
| Royal Dutch/Shell | 3 mths to Mar 31 | 26,040 | (22,842) | 1,771☆ | (1,297☆) | 19.1★ | (13.9★) | - | - | - | - | - |
| Scottish Power | Yr to Mar 31 | 2,272 | (1,716) | 404.8♠ | (375.3) | 33.82 | (33.58) | 10.33 | Oct 1 | 9.1 | 15.5 | 13.65 |
| Silentnight | 53 wks to Feb 3 | 169.8 | (177) | 11.1 | (11.1) | 16.78 | (15.55) | 5.25 | July 1 | 5.25 | 8 | 8 |
| Tomkinsons | 6 mths to Mar 30 | 13.26 | (10.2) | 0.7 | (0.45) | 7.4 | (4.8) | 3.5 | July 1 | 3.5 | - | 11.5 |
| Ugland Intl | 9 mths to Dec 31■ | 28.83 | (31.49) | 1.19 | (0.701L) | 5.07 | (1.49L) | 3.5 | - | 3.71 | 3.5 | 3.71 |
| Vaux | 6 mths to Mar 16 | 125 | (115) | 13.3 | (11.7♠) | 7.23 | (6.45) | 3.56 | July 4 | 3.45 | - | 10.2 |
| Warner Howard | Yr to Feb 29 | 27.2 | (23.5) | 7.16 | (7.04) | 20.76 | (20.63) | 5.85 | July 1 | 5.2 | 9 | 8 |
| Willis Corroon | 3 mths to Mar 31 | 198.5 | (195.5) | 48.1 | (48.5) | 7.3 | (7) | 1.55‡ | July 1 | 1.65 | - | 6.6 |
| **Investment Trusts** | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
| Cent Euro Growth§§ | 3 mths to Mar 31 | 100.1 | (74.6‡‡) | 0.938L | (-) | 0.44L | (-) | - | - | - | - | 0.5◆ |

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. §USM stock. Irish currency. ■Comparatives for yr to March 31. ☆After tax. ★For Shell Transport. Earnings for Royal Dutch were Fl 5.22 (Fl 3.98). ‡Second interim, making 3.3p to date. §§US currency. ‡‡At December 31 1995. ◆Gross.

# Citibank is the top forex bank again

Citibank is the top global foreign exchange bank for the 18th year in succession, according to the closely-watched Euromoney annual survey released yesterday, although the new Chase, formed out of the merger between Chase and Chemical bank, ran them a close second.

The paper, based on a global survey of companies, investors and state agencies, calculates that Citibank has 9.1 per cent of the forex market, compared with 9.04 per cent for Chase.

British banks did well, with HSBC maintaining third position, while NatWest climbed from seventh to fourth and Barclays recovered to reach the number seven slot, from number 11. HSBC's market share of 6.5 per cent was some way behind the two US banks.

The most dramatic move came from Deutsche Morgan Grenfell, which shot into the top ten, to number nine, from 22 last year.

Chase was voted top bank in London and New York, ahead of HSBC and Citibank respectively, but Euromoney warns that the coincidence of the merger and the survey may have flattered the results in Chase's favour.

COMMODITIES AND AGRICULTURE

# Gold report says physical demand hit record in 1995

By Kenneth Gooding, Mining Correspondent

Demand for physical gold rose to a record 3,355 tonnes last year, according to the Gold Fields Minerals Services consultancy organisation, 2.4 per cent above the previous peak of 3,277 tonnes set in 1993.

Jewellery fabrication accounted for 2,749 tonnes of demand last year, showing a 6 per cent rise from the 1992 record of 2,519 tonnes.

This was again well above world mine production, which showed a modest fall for the second consecutive year, by 0.4 per cent to 2,272 tonnes. The main reason was a 10 per cent drop in output in South Africa, the biggest producer.

The gap between supply and demand was filled partly by record hedging of future mine production and partly by sales by central banks.

GFMS suggests that the hedging provided a net 461 tonnes of "accelerated gold supply" to the market in 1995 compared with 163 tonnes in 1994. Sales by central banks rose to 201 tonnes, more than double the 1994 level.

Mr Stewart Murray, GFMS chief executive, said yesterday after launching the organisation's latest annual gold market survey: "The present level of mine production and scrap is still insufficient to meet the demands of fabrication and bar hoarding. Last year the gap of 682 tonnes was filled by increased producer hedging and to a lesser extent by official sector sales.

"The question this year is firstly whether a similar level of hedging will be seen again and, secondly, whether there will be any further official sector sales, perhaps in the run-up to European monetary union. If this does not prove to be the case, where will the market find the additional supplies required to fill the supply-demand gap?"

Mr Murray suggested that the rally in the gold price early this year had "certainly dispelled any notion of $400 [a troy ounce] as being an impenetrable barrier."

It was not surprising, he said, that the rally proved unsustainable as it had coincided with a period of seasonally weak demand and at the same time the market had to contend with the sale of at least 208 tonnes of gold by the Belgian central bank.

The GFMS survey says that central banks kept the market liquid by lending or selling more than 700 tonnes of gold from their reserves last year and this was reminiscent of the position in 1992 "which also saw a massive official mobilisation being absorbed by a strong physical market.

"The significant difference in 1995 was that it did not require a steadily falling price to bring this about. However, it needs to be remembered that the gold price in 1995 was scarcely higher in real terms than in 1992 and, with the growth in prosperity over the last four years, gold has become more affordable in many markets".

*Gold 1996: £75 or US$120 from GFMS, Greencoat House, Francis Street, London SW1P 1DH.*

**Western World Gold Supply and Demand in 1995 (tonnes)**

| Supply | | Demand | |
|---|---|---|---|
| Mine production | 1,890 | Fabrication: | |
| Former communist bloc sales | 102 | Jewellery | 2,537 |
| Net official sales | 232 | Electronics | 185 |
| Old gold scrap | 583 | Other | 285 |
| Forward sales | 461 | Bar hoarding | 281 |
| Option hedging | 87 | Gold loans | 23 |
| | | Implied investment | 44 |
| Total | 3,355 | Total | 3,355 |

Source: GFMS

# Venezuelan fuel generates increasing interest

## Orimulsion has achieved considerable world market penetration in recent years, writes Raymond Colitt

Venezuela's trademark boiler fuel, Orimulsion, which was first put to commercial use in 1991, continues to face regulatory difficulties and provoke controversy. Nevertheless it is penetrating world markets and has seen its sales increase considerably in recent years.

The fossil fuel based on natural bitumen from Venezuela's vast Orinoco hydrocarbon belt, was designed specifically to run power plants and is produced by Bitumenes Orinoco (Bitor), a subsidiary of the state oil holding company PDVSA. Sales in 1995 grew 42.4 per cent to 3.56m tonnes and with a number of commercial contracts in the pipeline sales could reach Bitor's current production capacity of 5.8m tonnes in one or two years.

Taiwan recently provisionally approved a 1,500MW power plant that would run on 3m to 4m tonnes a year of Orimulsion in four years. In January of this year Bitor renewed a contract with Denmark's SK Power Asnaes Plant, more than doubling shipment from previously 600,000 tonnes to 1.5m tonnes a year. Argentina's Central San Nicolas power plant is to receive a trial shipment of Orimulsion in coming months.

Some of the environmental concerns over Orimulsion's high sulphur content have in part been eased by advances in environmental technology, albeit costly, as well as a decade of laboratory studies and commercial use since 1991 in Canada, the UK and Japan. Environmental agencies in Europe and the US have handed down favourable verdicts. Yet converting to Orimulsion is not viable for all power plants. The cost of retrofitting equipment varies with each plant and can be inhibiting in some cases.

Convincing consumers and regulators with technical, environmental and economic feasibility studies takes time. "From the day we begin talks with a customer to the day we sign a contract takes years," says a Bitor executive. Tough competition in the energy market has turned Orimulsion into a political issue in many countries.

Getting Orimulsion approved by the Italian government took six years and talks with the Chinese had been under way for four years when, earlier this week, Venezuela secured a deal with China's National Petroleum Corporation to deliver 500,000 tonnes of Orimulsion. After a trial period, during which the fuel will be used in power generation and steel production, CNPC will consider investing an estimated $320m to set up an Orimulsion production plant with a capacity of 5.2m tonnes. In Britain approval of the second commercial contract with National Power's Pembroke plant over initially 2m tonnes a year is still pending.

**By the year 2000 Bitor expects to be selling 20m tonnes a year**

Bitor's largest deal so far, a contract to supply some 4.2m tonnes a year of Orimulsion to Florida Light and Power Company, was recently put on hold as Florida's state commission and its governor denied the company certification to burn the fuel. FL & P has already appealed against the decision, while Bitor's president Mr Jorge Semelas has admitted that the project's failure would set a precedent in the US market and have serious consequences for the marketing of Orimulsion.

Mr Semelas said the project was not rejected for environmental reasons. The US Environmental Protection Agency and a local environmental non-governmental organisation, among others, approved it.

Instrumental in penetrating new markets has been Bitor's association with foreign distribution partners. A joint venture with Mitsubishi Corporation has produced contracts with three power companies in Japan worth 800,000 tonnes and has led to feasibility studies in Thailand, the Philippines and Malaysia.

Indeed, Orimulsion is emerging as a cost-attractive alternative to fuel oil and coal even in emerging economies. According to Petroleum Intelligence Weekly, the fuel's delivered cost to major markets varies between 70 cents and $1.15 per million Btu. Bitor representatives say that the attraction of Orimulsion is that its price, unlike that of fuel oil, is likely to remain stable over the next decade, closely pegged to but below coal prices.

Confidence in growth of future sales was underlined by the recent joint venture between Bitor, the US oil company Conoco and Norway's Statoil to construct a $320m plant to produce around 5m tonnes of Orimulsion a year.

By the year 2000 Bitor expects to be selling 20m tonnes a year. It says bitumen reserves in the Orinoco belt will last well into the 22nd century.

Yet despite impressive growth targets Orimulsion is unlikely to make a major impact in the world energy market in the near future. "It's interesting, it's competitive but I don't think [Orimulsion] is going to be a great force in the world market anytime soon," said Mr Steve McAllister, US director of petroleum services with Price Waterhouse in Caracas.

He added that "there's sufficient demand out there but Orimulsion's growth will depend more on supply-side questions, such as expanding production capacity and improving infrastructure."

Indeed, shipping restrictions still put a premium on Orimulsion. "Most clients who receive shipments directly from Venezuela do not have deep-sea port facilities," explained Augusto Navarro of Bitor. "That means that smaller ships are used and the cost per tonne increases." According to the Petroleum Intelligence Weekly freight accounts for 25-35 per cent, compared with 5 to 10 per cent for fuel oil.

# Geneticists compile cocoa catalogue

By Deborah Hargreaves

Researchers at Reading University are harnessing technology developed to track down criminals in a project to catalogue the world's different varieties of cocoa plants.

The technique involves genetic fingerprinting of all types of cocoa trees, providing a bank of information on different varieties. The research is being funded by a grant from a new company, Cocoa Research UK, which was set up yesterday with £2.2m funding from the government.

"This is a new way of using molecular biology which has been developed in the UK," said Mr Eric Beauchamp, secretary of the new company.

As most of the world's cocoa is grown by individual farmers on small plots, growers often do not have enough money to fund their own research. Most hi-tech cocoa crop research is done in the UK and the US where chocolate-makers need to depend on a consistent, high quality supply of cocoa beans.

Mr Beauchamp said the genetic information about the cocoa trees would be used by growers to match varieties for cross-breeding to produce hardier strains. "The cocoa tree is prone to all manner of diseases and attacks by pests for which there is no answer except to breed disease-resistant trees," he said.

Around 3m tonnes of cocoa beans are grown a year, mainly in West Africa, central and south America and Southeast Asia. Diseases such as swollen shoot virus and witches broom can quickly decimate a crop.

The Reading project will first catalogue the varieties of cocoa trees growing in greenhouses in the UK, then it will import leaves from cocoa trees around the world so that by the end of the year it can produce a report with genetic details of each variety.

Mr Beauchamp said the new company would concentrate on funding research into growing and handling cocoa. "In the long term we want to transform and alter the way the trees produce cocoa to make them more efficient and resistant to diseases and pests," he said.

# Developing world 'needs to treble grain imports'

By Deborah Hargreaves

Imports of grain by countries in the Middle East, Asia and developing nations will have to treble by 2020 if these countries are to feed their growing populations, according to Professor Tim Dyson at the London School of Economics.

Prof Dyson believes cereals growing countries in North America and Europe will be able to feed the soaring global population by planting more and doubling the use of nitrogen fertilisers.

"I have no doubt that current high grain prices are a short term phenomenon that will be rectified in a few years," he says. He points to the number of hectares under cultivation globally, which has dropped from 703m to 689m in the past six years, leaving spare capacity to increase cereals output.

However, countries in sub-Saharan Africa are unlikely to be able to foot the bill for increased imports to cope with population growth leading to a drop in per capita consumption in those countries.

Rising imports of cereals will also be necessary because of the "westernisation" of the diets of many countries – even in Africa, Prof Dyson sees wheat consumption replacing more traditional roots and tubers as people move to cities.

*Population and Food, Global Trends and Future Prospects, published by Routledge.*

## COMMODITIES PRICES

### BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

[illegible]

### Precious Metals continued

[illegible]

■ HIGH GRADE COPPER (COMEX)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| May | 129.30 | -0.40 | 130.50 | 128.10 | 1,146 | 7,048 |
| Jun | 127.35 | -0.30 | 127.65 | 126.30 | 164 | 2,976 |
| Jul | 124.95 | -0.50 | 126.50 | 123.60 | 8,125 | 28,774 |
| Aug | 122.55 | -0.40 | 123.30 | 123.30 | 5 | 740 |
| Sep | 120.10 | -0.35 | 121.00 | 118.25 | 1,415 | 4,846 |
| Oct | 118.35 | -0.25 | - | - | 55 | 481 |
| Total | | | | | 11,340 | 53,320 |

### PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

| Gold (Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 392.60-393.00 | | |
| Opening | 392.70-393.10 | | |
| Morning fix | 393.20 | 258.381 | 484.619 |
| Afternoon fix | 392.70 | 257.931 | 485.371 |
| Day's High | 393.70-394.10 | | |
| Day's Low | 392.40-392.80 | | |
| Previous close | 393.80-394.20 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 4.61 | 6 months | 4.19 |
| 2 months | 4.50 | 12 months | 4.03 |
| 3 months | 4.40 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 356.95 | 543.25 |
| 3 months | 361.80 | 549.65 |
| 6 months | 366.30 | 557.30 |
| 1 year | 375.65 | 569.70 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 393-396 | 258-260 |
| Maple Leaf | 403.55-406.10 | |
| New Sovereign | 93-96 | 61-63 |

### ENERGY

[illegible]

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| May | 162.75 | -4.00 | 166.00 | 162.50 | 5,339 | 4,635 |
| Jun | 162.25 | -2.75 | 164.50 | 161.75 | 5,784 | 13,738 |
| Jul | 161.75 | -1.75 | 163.00 | 161.00 | 904 | 6,707 |
| Aug | 161.25 | -1.00 | 162.00 | 161.00 | 524 | 6,498 |
| Sep | 161.75 | -0.50 | 162.50 | 161.25 | 383 | 3,343 |
| Oct | 162.25 | -0.50 | 162.75 | 162.00 | 98 | 1,994 |
| Total | | | | | 13,429 | 47,582 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jun | 2.210 | +0.024 | 2.240 | 2.182 | 10,244 | 26,240 |
| Jul | 2.250 | +0.015 | 2.280 | 2.230 | 6,385 | 24,195 |
| Aug | 2.240 | +0.022 | 2.270 | 2.215 | 2,223 | 16,726 |
| Sep | 2.220 | +0.034 | 2.235 | 2.185 | 1,822 | 15,071 |
| Oct | 2.220 | +0.048 | 2.240 | 2.185 | 1,729 | 11,880 |
| Nov | 2.250 | +0.032 | 2.260 | 2.230 | 576 | 7,985 |
| Total | | | | | 25,658 | 147,108 |

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| Jun | 67.10 | -1.27 | 68.80 | 66.65 | 17,067 | 31,408 |
| Jul | 64.10 | -1.03 | 65.45 | 63.80 | 6,928 | 19,196 |
| Aug | 61.10 | -0.55 | 61.75 | 60.80 | 3,087 | 14,098 |
| Sep | 58.50 | -0.30 | 58.90 | 58.25 | 1,071 | 3,525 |
| Oct | 55.60 | -0.25 | 55.60 | 55.60 | 276 | 1,315 |
| Nov | 53.90 | - | 53.90 | 53.80 | 87 | 952 |
| Total | | | | | 28,895 | 72,767 |

### GRAINS AND OIL SEEDS

[illegible]

FUTURES DATA

*All futures data supplied by CMS.*

**Wool**

Prices at auctions this week held up well and clearances were better. Fine Merinos were a strong feature in Australia. New Zealand offerings were mainly second shear wools. Although both Dollars were static this week they remain strong against most major currencies. The weakening South African Rand lead to an increase in Merino wool prices. The Australian Market Indicator was 6cts higher at 550, New Zealand's 2cts lower at 443. In wool using markets, particularly continental Europe, business is still poor. Sales to consumers are down on reduced demand and higher prices impossible to pass on.

### SOFTS

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Vol | Open Int |
|---|---|---|---|---|---|---|
| May | 126.00 | -2.05 | 128.90 | 126.00 | 158 | 120 |
| Jul | 127.55 | -4.40 | 128.80 | 127.30 | 2,382 | 12,106 |
| Sep | 126.60 | -0.70 | 128.00 | 126.50 | 483 | 3,380 |
| Nov | 122.50 | -1.00 | 123.00 | 122.50 | 335 | 1,169 |
| Jan | 121.00 | -0.80 | 122.25 | 121.00 | 442 | 3,407 |
| Mar | 123.00 | -0.80 | 123.90 | 123.90 | - | 258 |
| Total | | | | | 3,803 | 28,819 |

**VOLUME DATA**

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

### INDICES

■ REUTERS (Base: 18/9/31=100)

| May 9 | May 8 | month ago | year ago |
|---|---|---|---|
| 2138.1 | 2129.3 | 2120.6 | 2311.5 |

■ CRB Futures (Base: 1967=100)

| May 8 | May 7 | month ago | year ago |
|---|---|---|---|
| 260.51 | 259.24 | 258.91 | 235.74 |

■ GSCI Spot (Base: 1970=100)

| May 8 | May 7 | month ago | year ago |
|---|---|---|---|
| 210.59 | 210.26 | 214.05 | 181.97 |

### MEAT AND LIVESTOCK

[illegible]

### LONDON TRADED OPTIONS

[illegible]

### LONDON SPOT MARKETS

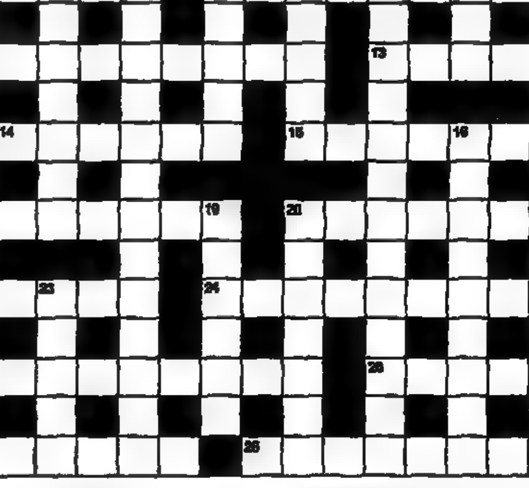
[illegible]

JOTTER PAD



## CROSSWORD

No.9,065 Set by ADAMANT



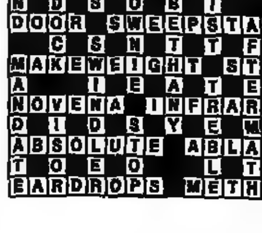
ACROSS

1 Honest view about the art-work (8)
5 Proposes to send over second arbitrator to Foreign Office (6)
10 Hope to win a seat – or seats? (5)
11 Detective Sergeant ensured the changeover was out of gear (9)
12 Room for one more actor playing "Tea and Sympathy" initially (5,4)
13 Avoid writing off the fair-ground attraction (5)
14 Fear to lose one's way in the higher ground (6)
15 Made, we hear, some lad distraught (7)
18 Fresh crisis when soldiers left eastern bay (7)
20 Put up with someone going to law to protect leaders of fishing fleet (6)
22 Deceive about the effect of the sun (5)
24 Points to another part of the river with delight? (9)
25 The art of knowing when to stop (9)
26 Raise the spirits over extract from the Arabian Nights, perhaps (5)
27 Getting credit in outskirts of Surrey can be a little difficult (6)
28 Mischievousness causes car crash by hothead (8)

DOWN

1 The diagnosis is terribly partial to a close connection (6)
2 Criticise girl swallowing Ecstasy joint (5,4)
3 Disappearing act in Bombay, for example (6,4,5)
4 The arrogance of a hard writer from France (7)
6 Cheesed off! More parking arrangements! You have the right to complain (7,2,6)
7 Relaxed when the journalist put England first (5)
8 As quick as lightning, duly send away (8)
9 Took out reference to sexual appeal between two journalists (6)
16 Make a guess at cryptic clue: "In full flood" (9)
17 Can Dorcas be off to get the materials? (8)
19 Crosses into power (6)
20 Holding beam of light, the rest spread out for one who was lost (7)
21 Holiday hidey-hole (6)
23 Number wandering round the University show lack of interest (5)

Solution 9,064



# INTERNATIONAL CAPITAL MARKETS

## European 'core' shrugs off US weakness

**By Samer Iskandar in London and Lisa Bransten in New York**

Bonds in so-called "core" European countries proved resilient yesterday and failed to trail falling Treasuries after the release of disappointing labour data in the US. But the relative strength of the D-Mark again restrained efforts of peripheral European markets to pursue their convergence towards German interest rates.

Italian bonds also suffered from bearish comments from Standard and Poor's, the US credit rating agency. Liffe's June BTP future settled at 113.41, down 0.40. The market had started the day on a positive note, with the BTP future reaching a high of 113.95. But in an afternoon telephone conference, S&P said it was "uncertain" Italy could sustain its fiscal reforms, and that the country was among the most indebted countries with an AA rating. This contrasted with an analysis by Moody's, the other US rating agency, which recently said it may upgrade Italy's sovereign debt.

■ Spanish bonds were affected by the currency's weakness and uncertainty over the country's ability to participate in European monetary union. Liffe's June bono future settled at 97.34, down 0.64. In the cash market, the 8.80 per cent bono due 2006 fell by almost ¾ point to close at 96.27.

### GOVERNMENT BONDS

■ German bunds closed higher but off their intra-day highs. Liffe's June bund future settled at 96.07, up 0.04, after opening at 96.35. Traders said the market weakened in the afternoon, when the contract's failure to breach resistance at 96.30 triggered profit taking. In the cash market, the 10-year bund was unchanged at 98.11.

■ UK gilts ignored stronger than expected industrial output data showing a rise of 0.3 per cent in March, against economists' forecasts of no change. Liffe's June long gilt future settled at 105$\frac{12}{32}$, up $\frac{1}{8}$. The 10-year benchmark gilt rose by ¼ to 95$\frac{27}{32}$. The yield spread over bunds narrowed by 3 basis points to 176. Although economists are forecasting a rebound in economic activity later this year, a growing number of analysts expect one more cut in the base rate before the year-end.

■ The French OAT market was barely changed, with Matif's June notional future closing 0.02 point higher at 122.72. In the cash market, the 10-year benchmark OAT lost 0.23 point to close at 105.07. The 10-year spread over bunds turned positive to 3 basis points, from a negative 3 basis points on Tuesday. Economists at BG Bank believe this spread will remain positive, or widen further, while the French authorities continue to struggle to rein in public deficits.

■ US Treasury prices gave back some of Wednesday's sharp gains in quiet trading early yesterday as dealers awaited figures on producer prices due out today. Through morning trading, however, the yield on the benchmark 30-year Treasury held below 7 per cent.

Near midday, the benchmark 30-year Treasury was off $\frac{5}{8}$ at 87$\frac{1}{32}$ to yield 6.993 per cent, while at the short end of the maturity spectrum, the two-year note was $\frac{1}{32}$ lower at 99¾, yielding 6.130 per cent.

After gaining a full point on Tuesday, the June Treasury bond was $\frac{1}{8}$ weaker at 107¾ early yesterday. The yield curve mapping the spread between two-year notes and the long bond held steady at 86 basis points.

Bonds began the session weaker after some profit-taking in Asian and European markets, and fell again after the Labour department said that initial claims for unemployment fell by 12,000 to 336,000 last week.

Commodity prices were nearly flat, with the Knight Ridder-Commodity Research Bureau index off 0.12 at 260.39. The dollar was also relatively stable against the D-Mark and the yen. In early trading it was changing hands for DM1.5162 and Y104.77, compared with DM1.5165 and Y105.23.

## Romania plans eurobond debut after yen success

**By Virginia Marsh, recently in Bucharest**

Mr Mugur Isarescu, Romania's central bank governor, said yesterday the country's first international bond issue since the second world war had exceeded "all expectations" and that it would be followed by a debut eurobond in June.

On Wednesday, the National Bank of Romania launched Y52bn worth of 5.2 per cent three-year samurai bonds – Japanese domestic bonds – priced at par. This represents about 280 basis points over the yen swap rate for similar maturities and about 335 basis points over US Treasuries.

Market sources said the issue, almost fully underwritten, was close to being sold out.

Nomura Securities arranged the issue, with Merrill Lynch co-lead manager. Merrill Lynch has also been mandated to arrange this summer's eurobond, which will be for up to $200m. In a telephone interview, Mr Isarescu said Romania was also planning a Yankee issue.

The NBR had initially planned a samurai offering of up to Y40bn but raised it to Y52bn due to strong demand.

The issue follows the announcement of Romania's first credit ratings in March. It was awarded sub-investment grade ratings of BB+ by Japan Credit Rating Agency, BB- by Standard and Poor's and IBCA, and Ba3 by Moody's.

The country returned to the international capital markets last year with two syndicated loans, after an absence of more than a decade. Mr Isarescu said that, after the eurobond, the bank's next goal would be a large syndicated loan, scheduled for late August or early September.

He said the bank hoped the loan would have a maturity of at least three years but was aiming for a spread of no more than 175 basis points above Libor, the margin it recently paid on a syndicated loan arranged by Sanwa.

Although some market sources said the NBR could have achieved better spreads on the samurai issue, the funds will be a welcome boost to the central bank, which since 1990 has been dependent on international financial institutions and other western donors for external financing.

## Lebanon goes ahead with dollar offering

**By Conner Middelmann**

*The eurobond market saw a diverse selection of new issues yesterday, with US dollar offerings predominating.*

### INTERNATIONAL BONDS

Lebanon launched its long-awaited $100m issue of bonds due July 2000, which it had postponed in April when Israel took military action against Hizbollah fighters in south Lebanon on the scheduled launch date. The recent skirmishes did not, however, appear to have dimmed investor enthusiasm for the issue.

"People still have confidence in Lebanon – the fact that we were able to bring this issue at a tighter spread than Lebanon's previous deals indicates that the credit continues to improve," lead manager Paribas said. The bonds were priced to yield 295 basis points over Treasuries, tighter than the 320-basis-point spread of the $300m issue of last July with which yesterday's tranche is fungible.

Elsewhere, Philips, the Dutch electronics giant, launched $250m of five-year bonds during Asian trading. The bonds, listed in Luxembourg and Hong Kong, were targeted at Asian investors, who took about 25 per cent of the offering, said lead manager HSBC Markets.

AC International Finance, the funding arm of Ayala Corp of the Philippines, made a successful eurobond debut with $110m of five-year bonds via J.P. Morgan. The 173 basis point spread was the tightest ever for a Philippine bond issue, a syndicate official said.

Another significant emerging-market issue surfaced in the US Yankee market. Grupo Televisa, the Mexican media company, issued $700m of bonds in three tranches, the longest with a 12-year final maturity. That $300m tranche is a zero-coupon bond for the first five years and has a 13.5 per cent coupon for the final seven years – unless the issuer exercises its call option after five years. It is the first time this structure, popular in the US, has been used by an emerging-market issuer. Lead manager is Morgan Stanley.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book-runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| AECAMT 1996-1, Class A(a)‡ | 557.5 | (a1)‡ | (a1)R | May 2001 | 0.30R | (a1)(6¾%-01) | Merrill Lynch International |
| Philip Electronics | 250 | 7.00 | 99.276R | Jun 2001 | 0.325R | +62(6¼%-01) | HSBC Markets |
| Den Danske Bank(b)‡ | 200 | (b1) | 99.868R | Jun 2006 | 0.45R | - | Salomon Brothers Intl |
| CNCF Intl Finance(c)‡ | 150 | (b1) | 99.87R | May 2001 | 0.25R | - | JP Morgan Securities |
| AC International Finance | 110 | 8.125# | 99.417R | Nov 2001 | 0.75R | +173(6¼%-01) | JP Morgan Securities |
| Lebanese Republic(d,s) | 100 | 9.125 | 99.82R | Jul 2000 | 1.00R | +295(5½%-00) | Paribas Capital Markets |
| UBS Finance(e,s) | 100 | 6.00 | 98.80R | Dec 1999 | 0.1875R | -1(5⅞%-99) | UBS |
| Business Dev Bank of Canada | 100 | 6.375 | 99.798R | May 1999 | 0.1875R | +[illegible] | M Stanley/Tokyo-Mitsubishi |
| Banco Bozano(f) | 75 | 10.375# | 99.82R | May 2004 | 0.875R | +396(6¾%-99) | Barclays de Zoete Wedd |
| **D-MARKS** | | | | | | | |
| Commonwealth Bk of Australia | 300 | 5.375 | 99.656R | Jun 2001 | 0.25R | +62(5¾%-00) | Banque Paribas (Deutsch) |
| SGZ Bank Ireland‡ | 300 | (g) | 99.535 | Jun 2001 | 0.20 | - | HSBC Trinkaus/Merrill Lynch |
| **SWISS FRANCS** | | | | | | | |
| Mita Industrial★ | 80 | 4.25 | 100.80 | May 2001 | 1.50 | - | Sakura Bank(Schweiz) |
| **CANADIAN DOLLARS** | | | | | | | |
| *Province of Manitoba(e)* | *150* | *7.00* | *100.00R* | *Sep 1999* | *0.225R* | *+10(7¾%-99)* | *CIBC Wood Gundy* |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| World Bank(l)★ | 250 | 7.659 | 99.72 | Jun 1999 | 0.80 | - | Yamaichi Intl(Europe) |
| Toronto Dominion Bank, London | 100 | 8.125 | 100.785 | May 1998 | 1.25 | - | Toronto Dominion Bank |
| **PESETAS** | | | | | | | |
| *LW Rentenbank(h)* | 10bn | (h1) | 101.121 | Jun 2006 | 1.625 | - | BNA/BNP Espina |
| Kommuninvest | 10bn | 8.65 | 101.269 | Jun 2001 | 1.625 | - | BSN/NatWest/Nikko Espina |

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) American Express Credit Account Master Trust. Legal Maturity: 15/12/03. Monthly coupons. a1) Priced later: T's +35-37bp area. a2) Class B: $57.5m, 15/5/01, +50-52bp. b) Callable from Jun 2003 at par. b1) 6-mth Libor +37½bp to Jun 2003, then +187½bp. c) Callable from May 1999 at par. c1) 3-mth Libor +20bp. d) Fungible with $300m. No accrued. e) $200m launched 29/4/96 increased to $300m. f) Callable & puttable on 28/5/99 at 99¼% & 01 at 99¾%. g) 3-mth Libor flat. h) Callable on 10/6/99 at par. h1) 9% to 10/6/99, then 9¼%. i) Long 1st coupon. s) Short 1st coupon.

## UBS launches note issue with exposure to former Yugoslavia

**By Conner Middelmann**

Union Bank of Switzerland has launched a new type of asset-backed security enabling investors to gain exposure to the countries that constituted Yugoslavia. It has issued $500m of euro-medium term notes backed by commercial bank debt of the former Yugoslavia under the 1988 New Financing Agreement (NFA).

"These notes represent a very straightforward way for investors to get exposure to places like Macedonia, Croatia or Serbia, which you cannot do through any other instruments," said Mr Alexander Mitcheson-Smith, head of emerging-market research at UBS.

The notes are targeted primarily at specialist emerging-market funds, he said. "We have seen huge interest in the former Yugoslavia in the last nine to 12 months, as witnessed by the recent equity offering for Pliva [the Croatian pharmaceutical company], which was about 20 times subscribed," Mr Mitcheson-Smith said. "The problem is, so far there are only a very limited number of ways for a straightforward portfolio investor to gain exposure to them."

The notes, which trade and settle like eurobonds, will be issued in five tranches which entitle holders to any payments or distributions under the NFA made by the five successor republics of the former Yugoslavia.

At this stage, only the details of the Slovenian and Croatian debt restructurings are known, while the others have been estimated.

The notes will be issued in the following proportions to the NFA, as set out by UBS: Slovenia will account for 18 per cent of the asset-backed note programme; Croatia, 28.5 per cent; Macedonia, 6 per cent; Bosnia-Herzegovina, 10 per cent; and Yugoslavia (Serbia/Montenegro), 37.5 per cent.

Based on current NFA offer prices, notes backed by Slovenian debt are being offered to investors at 115 per cent per dollar of face value, implying a spread of 300 basis points over Libor; Croatian debt-backed notes are for sale at 93 per cent per dollar, implying a 300-basis-point spread; Yugoslav notes are priced at 33, which translates into a spread of some 3,200 basis points; and Macedonia's notes are priced at 36 per cent, equal to a spread of about 2,900 basis points over Libor.

According to Mr Mitcheson-Smith, Macedonia's and Yugoslavia's notes have significant scope for outperformance.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 10.000 | 02/06 | 107.0500 | +0.750 | 8.92 | 8.79 | 8.99 |
| Austria | | 6.125 | 02/06 | 97.4600 | +0.060 | 6.48 | 6.44 | 6.54 |
| Belgium | | 7.000 | 05/06 | 101.9400 | +0.120 | 6.73 | 6.82 | 6.82 |
| Canada * | | 8.750 | 12/05 | 105.9100 | +0.790 | 7.86 | 7.84 | 7.69 |
| Denmark | | 8.000 | 03/06 | 103.5800 | -0.080 | 7.47 | 7.37 | 7.58 |
| France | BTAN | 5.750 | 03/01 | 100.5000 | -0.130 | 5.62 | 5.55 | 5.75 |
| | OAT | 7.250 | 04/06 | 105.0700 | -0.230 | 6.54 | 6.43 | 6.61 |
| Germany Bund | | 6.250 | 04/06 | 98.1100 | - | 6.51 | 6.47 | 6.46 |
| Ireland | | 8.000 | 08/06 | 101.6900 | -0.210 | 7.74 | 7.71 | 8.05 |
| Italy | | 9.500 | 02/06 | 98.9100 | -0.200 | 9.67† | 9.55 | 10.63 |
| Japan | No 140 | 6.600 | 06/01 | 118.4780 | -0.010 | 2.51 | 2.52 | 1.86 |
| | No 182 | 3.000 | 09/05 | 97.3010 | +0.210 | 3.36 | 3.42 | 3.12 |
| Netherlands | | 6.000 | 01/06 | 97.0600 | +0.060 | 6.41 | 6.37 | 6.48 |
| Portugal | | 11.875 | 02/05 | 115.6600 | -0.390 | 9.18 | 8.92 | 9.50 |
| Spain | | 8.800 | 04/06 | 96.2700 | -0.710 | 9.37 | 9.14 | 9.68 |
| Sweden | | 6.000 | 02/05 | 84.6460 | +0.430 | 8.56 | 8.57 | 8.47 |
| UK Gilts | | 8.000 | 12/00 | 101-29 | +2/32 | 7.49 | 7.46 | 7.58 |
| | | 7.500 | 12/06 | 95-17 | +6/32 | 8.14 | 8.16 | 8.22 |
| | | 9.000 | 10/08 | 105-27 | +6/32 | 8.24 | 8.26 | 8.34 |
| US Treasury * | | 5.625 | 02/06 | 91-29 | +22/32 | 6.77 | 6.78 | 6.39 |
| | | 6.000 | 02/26 | 87-18 | +29/32 | 7.00 | 6.99 | 6.70 |
| ECU (French Govt) | | 7.500 | 04/05 | 105.4400 | +0.160 | 6.97 | 6.91 | 7.14 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

| Latest | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | 4.92 | Two year | 6.13 |
| Prime rate | 8¼ | Two month | 5.10 | Three year | 6.34 |
| Broker loan rate | 7 | Three month | 5.11 | Five year | 6.55 |
| Fed.funds | 5¼ | Six month | 5.31 | 10-year | 6.82 |
| Fed.funds at intervention | - | One year | 5.64 | 30-year | 6.99 |

### BOND FUTURES AND OPTIONS

**France**

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 123.00 | 122.72 | +0.02 | 123.12 | 122.46 | 141,494 | 158,246 |
| Sep | 121.54 | 121.24 | +0.02 | 121.60 | 121.04 | 1,700 | 11,509 |
| Dec | 120.32 | 119.96 | -0.02 | 120.38 | 119.84 | 1,023 | 6,163 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Jun | Calls Jul | Calls Sep | Puts Jun | Puts Jul | Puts Sep |
|---|---|---|---|---|---|---|
| 120 | - | - | - | 0.05 | 0.45 | - |
| 121 | 1.86 | 1.001 | 1.60 | 0.12 | 0.78 | 1.22 |
| 122 | 1.01 | 0.62 | 0.95 | 0.29 | - | |
| 123 | 0.42 | 0.21 | - | 0.66 | - | - |
| 124 | 0.11 | 0.06 | 0.31 | - | - | - |

Est. vol. total, Calls 8,667 Puts 18,191. Previous day's open int., Calls 126,838 Puts 179,849.

**Germany**

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 96.35 | 96.07 | +0.04 | 96.35 | 96.01 | 157294 | 177093 |
| Sep | 95.26 | 95.11 | +0.01 | 95.31 | 95.10 | 2580 | 11228 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Jun | Calls Jul | Calls Aug | Calls Sep | Puts Jun | Puts Jul | Puts Aug | Puts Sep |
|---|---|---|---|---|---|---|---|---|
| 9600 | 0.43 | 0.55 | 0.52 | 0.67 | 0.36 | 1.22 | 1.41 | 1.55 |
| 9650 | 0.21 | 0.19 | 0.36 | 0.50 | 0.64 | 1.55 | 1.75 | 1.89 |
| 9700 | 0.09 | 0.11 | 0.23 | 0.36 | 1.02 | 2.00 | 2.12 | 2.25 |

Est. vol. total, Calls 10989 Puts 20069. Previous day's open int., Calls 236879 Puts 165942

**Italy**

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 113.62 | 113.41 | -0.40 | 113.95 | 113.15 | 48617 | 63204 |
| Sep | 113.13 | 112.79 | -0.40 | 113.27 | 112.90 | 394 | 1496 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Jun | Calls Sep | Puts Jun | Puts Sep |
|---|---|---|---|---|
| 11300 | 0.95 | 1.96 | 0.54 | 2.16 |
| 11350 | 0.67 | 1.71 | 0.76 | 2.42 |
| 11400 | 0.44 | 1.48 | 1.08 | 2.69 |

Est. vol. total, Calls 5578 Puts 6742. Previous day's open int., Calls 77540 Puts 69460

**Spain**

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 98.30 | 97.34 | -0.65 | 98.30 | 97.25 | 91,806 | 54,083 |
| Sep | 97.63 | 96.81 | -0.60 | 97.63 | 96.92 | 41 | 46 |

**UK**

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 105-13 | 105-13 | +0-09 | 105-22 | 105-07 | 50161 | 122099 |
| Sep | 104-10 | 104-10 | +0-08 | 104-12 | 104-10 | 90 | 676 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Jun | Calls Jul | Calls Aug | Calls Sep | Puts Jun | Puts Jul | Puts Aug | Puts Sep |
|---|---|---|---|---|---|---|---|---|
| 105 | 0-56 | 0-49 | 1-10 | 1-24 | 0-30 | 1-59 | 1-54 | 2-04 |
| 106 | 0-24 | 0-25 | 0-50 | 0-62 | 0-62 | 2-06 | 2-30 | 2-42 |
| 107 | 0-08 | 0-14 | 0-33 | 0-41 | 1-46 | 2-58 | 3-13 | 3-21 |

Est. vol. total, Calls 2994 Puts 5290. Previous day's open int., Calls 44498 Puts 41294

**Ecu**

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 90.80 | 90.74 | +0.18 | 90.86 | 90.56 | 1,746 | 6,155 |

**US**

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 108-00 | 107-29 | -0-01 | 108-12 | 107-17 | 415,922 | 373,716 |
| Sep | 107-28 | 107-12 | - | 107-28 | 107-00 | 8,309 | 35,509 |
| Dec | 108-19 | 106-27 | - | 106-27 | 106-17 | 161 | 7,405 |

**Japan**

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 118.05 | - | - | 118.23 | 118.02 | 3086 | 0 |
| Sep | 116.89 | - | - | 117.06 | 116.89 | 556 | 0 |

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Thur May 9 | Day's change % | Wed May 8 | Accrued interest | xd adj. ytd | | Low coupon yield May 9 | May 8 | Yr. ago | Medium coupon yield May 9 | May 8 | Yr. ago | High coupon yield May 9 | May 8 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (23) | 121.14 | +0.04 | 121.56 | 2.16 | 3.53 | 5 yrs | 7.61 | 7.62 | 8.00 | 7.83 | 7.86 | 8.04 | 7.74 | 7.76 | 8.19 |
| 2 5-15 years (19) | 145.02 | +0.22 | 144.69 | 3.01 | 3.36 | 15 yrs | 8.29 | 8.35 | 8.10 | 8.32 | 8.36 | 8.17 | 8.40 | 8.46 | 8.39 |
| 3 Over 15 years (8) | 159.21 | +0.31 | 158.71 | 3.59 | 3.46 | 20 yrs | 8.35 | 8.42 | 8.10 | 8.36 | 8.41 | 8.17 | 8.43 | 8.50 | 8.34 |
| 4 Irredeemables (6) | 183.34 | +1.23 | 181.11 | 4.99 | 1.47 | Irred.† | 8.39 | 8.46 | 8.10 | | | | | | |
| 5 All stocks (57) | 140.57 | +0.18 | 140.31 | 2.82 | 3.46 | | | | | | | | | | |

| Index-linked | Thur May 9 | Day's change % | Wed May 8 | Accrued interest | xd adj. ytd | | Inflation 5% May 9 | May 8 | Yr. ago | Inflation 10% May 9 | May 8 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (1) | 195.74 | +0.03 | 195.69 | 0.32 | 4.43 | Up to 5 yrs | 2.66 | 2.66 | 3.13 | 1.30 | 1.30 | 1.70 |
| 7 Over 5 years (11) | 185.25 | -0.01 | 185.75 | 0.96 | 1.81 | Over 5 yrs | 3.79 | 3.79 | 3.88 | 3.59 | 3.59 | 3.40 |
| 8 All stocks (12) | 185.36 | -0.01 | 185.84 | 0.94 | 1.88 | | | | | | | |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | May 9 | May 8 | May 7 | May 3 | May 2 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 92.04 | 91.85 | 91.59 | 91.57 | 92.05 | 93.01 | 96.94 | 91.59 |
| Fixed Interest | 112.13 | 111.80 | 111.48 | 111.46 | 112.63 | 111.99 | 115.23 | 110.74 |

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

### GILT EDGED ACTIVITY INDICES

| | May 8 | May 7 | May 3 | May 2 | May 1 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 102.9 | 95.9 | 100.6 | 94.8 | 87.8 |
| 5-day average | 95.9 | 95.0 | 92.3 | 91.7 | 96.5 |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 9

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| **U.S. DOLLAR STRAIGHTS** | | | | | |
| Sweden 8 97 | 2500 | 105⅞ | 106⅛ | | 3.84 |
| Abbey Natl Treasury 8 03 £ | 1000 | 98¼ | 98½ | +⅛ | 8.34 |
| [illegible] | | | | | |

**SWISS FRANC STRAIGHTS** [illegible]

**YEN STRAIGHTS** [illegible]

**OTHER STRAIGHTS** [illegible]

**DEUTSCHE MARK STRAIGHTS** [illegible]

**FLOATING RATE NOTES** [illegible]

**CONVERTIBLE BONDS** [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: [illegible]. CONVERTIBLE BONDS: [illegible]



## UK GILTS PRICES

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for August 1995: 149.9 and for March 1996: 151.5.

**Other Fixed Interest** [illegible]

* 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. [illegible]

**JOBS: Companies must search for a new moral dimension to define their aims, writes Richard Donkin**

# Balancing on the high wire of business

Driving along highway 10 in California last week, listening to the country rhythms of K-FRG, or "K-Frog Radio" as it calls itself, I heard a particular advertisement repeated every 20 minutes or so.

It had been placed by the US communications workers' union and it complained about a decision by GTE, the telecommunications company, to shed 17,000 jobs. The advertisers said the job cutting programme had been inspired by a desire to increase profits – yet, they claimed, GTE's service was suffering as a result.

Whether or not the claims were true, the advertisement demonstrated the potential backlash, undermining employee and customer confidence, that can result from corporate re-engineering.

It also illustrated how matching investor demands with those of the customer and the employee is becoming a delicate management issue for large companies, where ethical considerations can no longer be ignored in the drive for ever increasing profits.

The union, in this case, is probably fighting a losing battle. Telecommunications jobs feature highly among those threatened by improvements in technology leading to a fluidity in employment prospects in US industry. American Telephone and Telegraph announced plans to eliminate 40,000 jobs earlier in the year while smaller carriers have added collectively almost as many. The new jobs that have emerged in the related cable and broadcasting industries demonstrate how difficult it is to assess the impact of technological change on employment.

It will be interesting to see whether existing human resource disciplines will be sophisticated enough to deal with the potential instability of such change. The way that human resources can be used to balance the interests of employees with the aims of the business was highlighted recently in *The Healthy Organization, Fairness, Ethics and Effective Management** by Susan Newell, a lecturer at Warwick Business School.

Newell believes that the mutuality of business between management, employees, customers and shareholders and the maintenance of stability and equanimity of the constituent interested parties are at the heart of a successful enterprise. She sees the modern approaches promoting health and fitness, diversity and equality of opportunity in the workplace as important components in many of today's successful companies. But what some of these companies may still lack, she suggests, is an underlying idealism.

The success of Quaker companies, such as Cadbury, Rowntree and Lever Brothers, reflects the humanitarian principles they were founded upon, she argues. But while many companies have imitated their welfare schemes, few have felt obliged to adopt similar principles across their businesses. In adopting welfare schemes, says Newell, most companies have seen them as a cheap substitute for higher wages and a way to discourage employees from joining unions. This is because the majority of companies are driven only by the profit motive. But that may no longer be sufficient.

Should more companies today be seeking some kind of moral dimension to match that of the Quaker businesses? If so, where might this new business ethic originate?

One possibility may be corporate governance. Few people working in companies today, from top to bottom, can be said to be operating in a vacuum of accountability. Everyone is responsible to someone. Even chairmen must consider themselves employees with obligations they must fulfil.

However much it may be derided as overly bureaucratic by its detractors, corporate governance has done much to re-enforce this recognition of accountability at the top of companies. It seems to embrace the observations Peter Drucker made nearly 30 years ago in *The Practice of Management*, that managers need to be managed. The lack of such management among senior people has never been as evident as it is today in the way that many in management are accepting long hours of work, almost without question.

This corporate slavery at the top of companies and in many professions is threatening the balance between personal and working lives. Earnings become meaningless when people no longer have the ability to enjoy the profits from their work.

Perhaps it is time that companies expanded the notion of part-time working or job-shares into senior appointments. It would not only create more jobs but would also help to alleviate the pressure in many senior roles.

Newell gives as an example the appointment of a senior deputy store manager recruited to work Sundays in a Sainsbury's supermarket. At present many companies still seem to view part-time work as something that is useful lower down the hierarchies. It may be that more companies may need to consider such options more seriously at higher levels.

■

Whistleblowers inside companies are not always appreciated, even if the information they provide may save their employers thousands of pounds.

If they inform upon their workmates they risk being ostracised; if it's the boss, they risk the sack. There is a culture, almost inbred from school days, that you do not snitch.

Yet there is no doubt that if employees had spoken out earlier in a number of well publicised fraud cases, the individuals responsible may have been brought to book at a much earlier date.

One of the problems for whistleblowers is finding advice or a trusted confidante to receive the information. While many may be brave enough to impart information anonymously, few are prepared to do it openly. Individuals can obtain help in the UK from Public Concern at Work, a charity established to provide legal advice to whistleblowers. Some companies have also established private hotlines. Sometimes these lines connect to a recorded answering service which does not easily deter anonymous mischief calls.

A company called Expolink offers a manned telephone line. Although call handlers will accept anonymous tip offs they encourage callers to hand over their names and numbers. The call handler is obliged to protect the identity of the caller even when given. He acts as a go-between, relaying messages to managers of the client employer. The company goes to elaborate lengths to protect the security of callers. Once a report is faxed to a client, the original recording is wiped and the written record destroyed, preventing it from being produced in evidence for a criminal prosecution.

Several problems suggest themselves with such a service: does the encouragement of whistleblowing breed a climate of distrust in a company? Can employees expect to work well in the knowledge that one of their workmates may report some minor infringement of company rules? What if the problem is the management who have installed the service to monitor employee knowledge of their activities?

Legal protection for whistleblowers is promised in a private member's bill, the public interest disclosure bill, sponsored by Don Touhig, Labour MP for Islwyn. Legislation already exists in North America, Australia and New Zealand. The bill, however, has little chance of reaching the statute book at this stage.

In a unionised workforce trade union representatives might be the best individuals to deal with employee concerns although they may not be able to offer the same protection of anonymity.

Public Concern at Work can be contacted on 0171-404 6609. Expolink is on 01249-782124.

**The Healthy Organization, Fairness, Ethics and Effective Management by Susan Newall, published by Routledge, £11.99 in paperback.*

# INTERNATIONAL CAPITAL MARKETS
## SENIOR FIXED INCOME ANALYST
### COMMERZBANK AG, LONDON BRANCH

Commerzbank AG, one of the three major banks in Germany and an active participant in global financial markets, is developing further its presence in the International Capital Markets. London is Commerzbank's European trading centre for most non-Deutschemark fixed income products. As part of the planned growth of the London fixed income operations, an opportunity has been created for a Fixed Income Analyst to join the current team and work in London.

The ideal candidate is likely to possess an Economics Degree, to have a good understanding of fixed income related mathematics and to have specialised for several years in analysing French Franc and ECU products for a large investment bank or securities house. Particular emphasis will be given to generating investment strategies and servicing major institutional customers. Fluency in French is essential. Fluency in German will be an advantage, not a pre-requisite.

The remuneration package will consist of a competitive salary plus the benefits associated with a large bank and a performance related bonus.

Individuals, who consider themselves to have the appropriate qualifications and who would like the opportunity to discuss the matter further, should write to:
**Vanessa Lewiston, Personnel Manager,**
**Commerzbank House, PO Box 286, 23 Austin Friars, London EC2P 2JD**
enclosing a copy of their CV. All applicants can be assured of complete confidentiality.

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- Dans le cadre d'une stratégie internationale clairement définie, le poste – très complet – comprendra le développement et la gestion de ces risques.
- Les principales responsabilités consistent avant tout à développer l'activité – en visant en particulier les grandes multinationales – à établir les plans stratégiques et d'exploitation, à gérer les souscriptions, à fournir un service à la clientèle répondant aux critères les plus élevés.
- Ce poste exige un professionnel qualifié de l'assurance, ayant une expérience réussie dans les Grands Risques Entreprises (Dommages RC.) et une très bonne connaissance du marché français.
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- Ce poste s'adresse à une personne motivée par la réussite et par le challenge que représente le démarrage d'une nouvelle activité. Il offre de nombreuses possibilités d'évolution de carrière.

Veuillez adresser votre dossier (lettre, C.V. + niveau de salaire),
en rappelant la référence 1038/FT à:
Phil Bainbridge
Whitehead Selection Limited
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*Salomon Brothers, one of the world's leading financial institutions, is seeking a highly motivated individual to join its expanding Global Convertibles team.*

*The successful candidate will be involved in all aspects of convertible trading and must have a successful track record which includes 2 - 3 years' experience of trading European convertibles. Applicants for the position must be educated to degree level in a numerate or technical discipline and be able to demonstrate highly developed analytical and interpersonal skills. They must also be strongly computer literate and, ideally, fluent in at least one European language apart from English - preferably French or Italian.*

*If you have the necessary skills and experience for the position please write, enclosing a full CV and covering letter, to Isabel Doverty, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.*

**Salomon Brothers**

# Major Gulf Bank

As part of an extensive programme of change, opportunities have arisen for experienced banking professionals within a commercial bank of size and standing in the Gulf, with an important retail, corporate and treasury business and an international network.

## FINANCIAL CONTROLLER

**The Role**

Reporting to the General Manager and responsible for the provision of timely, accurate and comprehensive financial and management accounts, information and controls.

Responsible for the compilation of statutory accounts, and preparation and monitoring of overall group budget.

Accountable for the leadership and direction of the established financial control functions.

Providing a pivotal input to business development and corporate expansion projects.

**The Qualifications**

Qualified Accountant 30+ with ten or more years experience in the financial control function of a major international bank.

Must have comprehensive knowledge of bank accounting and control procedures with particular expertise in the full range of Treasury products.

Strong IT skills with experience of managing the introduction of new control and accounting systems in a trading environment.

Mature man-management skills with an emphasis upon providing leadership and expertise in a multi-cultural environment.

## MARKETING MANAGER

**The Role**

A senior position responsible for the development of a portfolio of existing and prospective account relationships.

Provides advice and co-ordinates the arrangements of trade, debt and project-related financing for major corporate customers.

Portfolio growth objectives are defined in terms of growth in volume and profitability of relationships.

**The Qualifications**

Degree standard, preferably with additional banking and financial qualifications.

Ideally graduated from a major bank credit training programme.

28+ with at least six years relevant marketing and account management expertise with a major international bank.

Strong negotiating and people skills as well as the expertise and tenacity to succeed in assessing and structuring banking and financial

## CREDIT MANAGER

**The Role**

A senior position responsible for the management of a substantial element of the bank's risk management portfolios controlling and making recommendations as to changes in the overall asset mix of credit portfolios.

Responsible for the review and analysis of credit proposals and the preparation of credit recommendations for existing and new relationships to the Credit Committee and the Board of Directors.

Simultaneously responsible for management and retention of high standards of credit quality in the existing portfolios.

Assisting in the development of relationships with existing and new clients.

**The Qualifications**

Degree standard with formal credit analysis training in a major bank credit programme preferably with additional banking or financial qualifications.

30+ with at least ten years directly relevant credit and management expertise with a major international bank.

Exposure to the energy and contracting sectors would be advantageous.

Strong analytical, IT and people skills. Sound knowledge of Treasury products and risk profiles.

Excellent written and oral presentation skills.

These important positions require high quality banking professionals with the ability to influence at all levels working in a multi-cultural environment. Knowledge of Arabic and experience in the Gulf would be advantageous.

They each offer attractive salaries, generous expatriate benefits and performance bonus in a tax-free rapidly expanding Gulf environment.

**Write in confidence enclosing a comprehensive curriculum vitae to:**
**P.O. Box A5338, Financial Times, One Southwark Bridge, London, SE1 9HL.**

# EXECUTIVE CONNECTIONS

KPMG

## KPMG Corporate Finance
### Assistant Directors & Managers – South East Region

Competitive Salary & Benefits Package

KPMG Corporate Finance is amongst the top UK advisers on public and private transactions. In 1995 we advised clients on more transactions than any other UK financial adviser – including acquisitions, disposals, takeovers and mergers, management buy-outs and privatisations.

The team in the South East comprises some 130 people located in our City office and in 7 key South East regional business centres – Southampton, Gatwick, Reading, St Albans, Milton Keynes, Cambridge and Ipswich. Our Partners and staff come from a variety of backgrounds including accountancy, law and investment banking. The continued success of the team throughout the region necessitates the recruitment of experienced Assistant Directors and Managers in our 7 regional business centres.

Aged in their late 20's or early 30's, candidates will typically have a first class examination record. Excellent analytical and communication skills, as well as the ability to work well within a team framework, are seen as important attributes.

Candidates will need a minimum of three years' experience in a challenging Corporate Finance environment and be able to demonstrate a track record in M&A and/or MBO's. Beyond this, a foreign language capability will always be regarded as an advantage.

Our investment in you will include a competitive remuneration and benefits package together with the opportunity to develop a career based on a wide range of corporate finance experience in both UK and cross border transactions, coupled with a comprehensive training programme.

Interested applicants should, in the first instance, write enclosing full career and remuneration details to Howard Foster, quoting reference HFFT596, at Executive Connections, 43 Eagle Street, London WC1R 4AP. Tel: 0171 242 8103. Fax: 0171 405 6580. E-Mail: h.foster@executive-connections.co.uk

# CREDIT RESEARCH ANALYSTS

EUROPEAN BANKS — EMERGING MARKETS SOVEREIGNS — CORPORATES

*On behalf of a major European Investment Bank we are seeking experienced Analysts to undertake traditional and complex credit research mainly on the sell-side.*

Candidates must be graduates with between 3-10 years experience of working closely with trading and sales teams in respect of credit trading, private placements, ratings advisory, etc. Ideally you will be equally at home with public presentations, press announcements, production of monthly publications, as well as regularly presenting to a professional sales and trading team.

Experienced Banks Analysts should detail in their CV the country and nature of banks that they have reviewed. Sovereign Analysts, ideally with some experience of analysing financial institutions, should demonstrate good experience of emerging markets. Please detail countries covered. Corporate Analysts should have global experience or minimally good knowledge of corporates throughout EMEA countries. We are only interested in analysts who can demonstrate that they have been formally trained, either within an investment bank or a top rating agency in London or New York and preferably with a good understanding of products traded within treasury and capital markets.

Applicants should send a detailed CV together with a full breakdown of current remuneration package and a one page overview of experience to *Ron Bradley, Director.*

*Jonathan Wren & Co. Limited*
*Financial Recruitment Consultants*
*No 1 New Street, London EC2M 4TP*

*Telephone: 0171-623-1266*
*Facsimile: 0171-626-5257*
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*b a n k i n g*

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[illegible] Securities Services is a long [illegible] Custody business. As this [illegible] continues to develop we are [illegible] of the market and to stay ahead [illegible]

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Ideally you will have at least 10 years' experience on the client side in the finance or securities business, probably following a degree level education. Proven experience in developing and launching new finance oriented products will obviously be useful and you must be a creative thinker who is able to generate new product ideas.

A competitive salary and benefits package is on offer and salary tax in Hong Kong is 15%.

**Please write with full career details, including a recent photograph, details of current and expected salaries, and quoting Ref:H96022, to Christina Leong, Human Resources Manager HHO/Specialist Support, Human Resources Department, The Hongkong and Shanghai Banking Corporation Limited, 21/F, Tower 1, The Gateway, 25 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.**

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# MANAGING DIRECTOR

## PRIVATE BANKING

## LUXEMBOURG

My client, an entrepreneurially minded, global banking operation, has an impressive track record in the management of "high net worth" private client assets.

With a reputation for high quality, prudent investment expertise, and professional relationship management, the Bank is committed to continued growth, with a strong emphasis being placed on the role of Luxembourg in future developments. To further strengthen its position, the Bank is looking to appoint a "relationship" minded Managing Director, who will manage all elements of the local operation.

Reporting directly to the Group General Manager and Chairman, this is a demanding, high profile role, which will appeal to a business builder, who thrives in a dynamic, lively environment, and whose leadership style supports the longer term aspirations of the Bank. You will be a senior banking professional, of graduate calibre, with an impressive, international track record of managing private client relationships, and of running a business unit.

Personal attributes will include strong interpersonal and influencing skills, and the ability to develop and maintain long term client relationships. Complete fluency in English and French is a pre-requisite, German a distinct advantage, and other languages a plus.

This is a great opportunity for an ambitious and capable manager to use their skills and experience in an organisation at an exciting stage in its development. For the right person, the benefits package will not be a limiting factor.

If you are interested, please send your application to me at the address below, or alternatively, contact me on (352) 40 63 58 for more information. (Fax - 40 45 48).

All applications will be treated in the strictest of confidence, and should be accompanied by a full Curriculum Vitae, together with current salary details, and a contact telephone number.

**Nigel Plumpton, Senior Partner, Plumpton, Morgan & Partners, BP 2740, L-1027 Luxembourg**

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As a Prudential-Bache Financial Advisor, your compensation is determined entirely on your performance. Unlike other careers and perhaps your current profession, your financial rewards will always match your success.

To learn more about the opportunities at Prudential-Bache, if you are age 25-35, a UK national (or hold a valid work permit), please call or send your C.V.

Mr Martin Leclerc, Executive Vice President
Prudential-Bache Securities (UK) Inc.
1-3 Strand, Trafalgar Square
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Fax: 0171-414 6941 Tel: 0171-439 4191

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LGT

## LGT Bank in Liechtenstein (Deutschland) GmbH

Wir sind eine international tätige Wertpapierbank. Institutionellen und privaten Kunden bieten wir Portfolio Management und Anlageberatung, gestützt auf hochentwickelte quantitative Methoden und ein leistungsstarkes hauseigenes Investment Research.

Zur Intensivierung der Kundenbeziehungen und Akquisition wollen wir den international agierenden Vertrieb der LGT Asset Management GmbH ausbauen. Deshalb suchen wir eine engagierte Verstärkung für den Bereich

# Marketing/Vertrieb

**Ihre Aufgabe:**
Sie betreuen LGT Niederlassungen mit Schwerpunkt im asiatischen Raum sowie international operierende Asset Management Consultants. In diesem Zusammenhang sind Sie unter anderem für die Präsentation und die Ausarbeitung von detaillierten Beschreibungen, z.B. von Investmentabläufen oder Portfolio-Modellen, verantwortlich.

**Wir wünschen uns:**
Ein abgeschlossenes wirtschaftswissenschaftliches Studium; mehrjährige Erfahrung im Investmentbanking; Kompetenz in schriftlicher und mündlicher Kommunikation; sehr gute PC-Kenntnisse; ein hohes Maß an Kreativität und exzellente Englischkenntnisse.


**Wir bieten Ihnen:**
Eine anspruchsvolle, kundenbezogene Aufgabe in einem weltweit agierenden Unternehmen, die dem Geschäftsführer Marketing/Vertrieb direkt unterstellt ist. Arbeit in einem jungen Team, das von Engagement und Einsatzfreude gekennzeichnet ist.

Wenn sie diese Aufgabe reizt, senden Sie bitte Ihre vollständigen Bewerbungsunterlagen an die Personalabteilung der LGT Bank in Liechtenstein (Deutschland) GmbH, Postfach 100354, 60003 Frankfurt/Main; Bleichstr. 60-62, 60313 Frankfurt/Main.

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CVRIA

## THE COURT OF JUSTICE OF THE EUROPEAN COMMUNITIES

is organizing an open competition on the basis of tests for the constitution of a reserve list for future recruitment of

# CONFERENCE INTERPRETERS

### of English mother-tongue (Open Competition CJ/LA/16)

Salaries and social benefits are comparable with those offered by the other institutions of the European Union.

**Requirements:**
candidates must:
- be a national of a Member State of the European Union;
- be less than 45 years of age on 14 June 1996;
- have completed a full course of university studies in conference interpretation or *have equivalent professional experience, duly evidenced by supporting documents,* as a conference interpreter;
- have a perfect command of English and a thorough knowledge of at least three official languages of the European Communities, including Italian or Dutch.

Further information and the mandatory application form may be obtained upon request in writing (ref.: Official Journal of the E.C. of 11 May 1996) to: the Personnel Division of the Court of Justice of the EC, L-2925 Luxembourg.

The final date for receipt of applications is 14 June 1996.

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## JAPANESE SPEAKING
### Settlements Officer in Luxembourg

A Luxembourg based leading international bank has an immediate vacancy for a Settlements Officer.

The Officer will be based in Luxembourg and be responsible for Bond and Equity settlements and accounting functions for fund administration.

Knowledge and experience required:

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- fluency in Japanese and English is essential
- fluency in French is recommended
- good contact skills
- team builder

a competitive salary and benefits package is negotiable according to experience.

Please contact Ms Kuniko Kamioka in confidence on:

Tel: 0171 489 8141, Fax: 0171 236 5785

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Aldermary House, 10-15 Queen Street, London EC4N 1TX

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## Senior Credit Analyst

A leading US investment banking and brokerage institution seeks a Senior Credit Analyst.

The Personnel Officer, Box Number A5323, Financial Times, One Southwark Bidge, London SE1 9HL

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## Documentation and Transaction Executive

The Industrial Bank of Japan is one of the leading Financial institutions with a reputation for excellence.

As part of the ongoing process to improve systems we require a Documentation and Transaction Executive to be responsible for security, covenants and loan monitoring. Applicants will be familiar with bank operational matters and will be capable of technically assessing the quality of compliance and be able to advise on legal-technical issues relating to loan agreements and transactions.

Applicants must have a relevant degree supported by proven exposure to UK and Japanese legal documentation. As some of the documentation is in Japanese the ability to speak and write in Japanese is required.

A highly attractive salary will be offered together with a valuable package of banking benefits.

Please send your full CV to: Kim Cowling, Personnel Manager, The Industrial Bank of Japan, Limited, Bracken House, One Friday Street, London EC4M 9JA.

IBJ
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## TOP OPPORTUNITIES IN BANKING

### MANAGERS, CORPORATE BANKING

A timely opportunity to join our client looking to recruit Lending Managers and Assistant Lending Managers. Responsibilities will include providing quality support to Senior Managers in managing and developing business with sizeable and often financially sophisticated borrowers. Duties will involve leading and representing the bank in negotiation with a portfolio of large customers and new business development to generate additional income from quality borrowers and/or projects.

### ORIGINATION SUPPORT/ANALYST-SECURITISED PRODUCTS

Our client a major European bank is keen to identify an additional member to join their Asset-Backed team. This will be a varied role and will include the valuation and analysis of risk in the structure of asset and mortgage-backed securities, asset-backed syndicated loans, bilateral receivable pool purchases and conduit structures. The role will also involve supporting the arranging, structuring and documenting of securitised transactions.

### CREDIT ANALYSTS

An outstanding opportunity to join one of the world's most prestigious and respected banks, looking to recruit credit analysts at various levels. Our client takes career progression seriously, offering exceptional opportunities for continuous development to individuals who enjoy the challenge of an analytical role and those interested in progression to marketing.

**For further details please contact or forward your CV, to Peter Brooker, Associate Director.**

GB Gordon Brown

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## ACCOUNTANCY APPOINTMENTS

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**Applications in strict confidence under reference FDSL/5523/FT to the Managing Director, ALPS.**

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## Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

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**Andrew Skarzynski**
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**GLOBAL INVESTMENT MANAGERS**

Our client's funds have grown rapidly and are invested in the full range of instruments and markets. The compliance policies and control procedures are well-established. The successful applicant will design and implement a compliance monitoring programme for the London and other European offices and ensure compliance with IMRO and SEC rules and the firm's procedures. The challenge is as much in getting the fund managers to work to the procedures and seeking out potential problem areas as in the monitoring process. We seek a young graduate, part or recently qualified accountant or lawyer, with excellent computer skills and ideally some experience in financial services. The position calls for a strong, persuasive personality and it is an environment where adaptable, innovative people thrive. **Applications in strict confidence under reference ACO5524/FT to the Managing Director, ALPS.**

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## Quantitative Analyst
### - London -

An International Fund Management Company is looking for a Quantitative Analyst to be based in their London office. Candidates should be educated to Degree level, be computer literate, have work experience in the financial sector and be familiar with the international markets. They should have a working knowledge of data base packages and statistical packages such as OneSource and RATS.

The successful candidate's duties will include analyst performance evaluation, marketing request support, emerging markets and small cap research, factor model testing and maintenance of valuation models.

Please send your C.V. with current salary details to:
**Anita Taylor, Cursitor Alliance Management Ltd., 53 Stratton Street, London W1X 6JJ**

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## INVESTMENT MANAGER
### Every & Phillips and Dunnings

£ Attractive East Devon

Leading East Devon Solicitors seek experienced manager for newly formed Investment Department.

Extensive knowledge of UK and overseas stockmarkets required together with flair for business development.

Ambition and commitment will be rewarded with performance incentive.

Please write with full CV to Richard M P Howe at 130 High Street, Honiton, Devon EX14 8JR.

# Planning Manager

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**c £30,000 + Full Banking Benefits**

The leading Investment banking subsidiary of one of the world's largest banks is continuing to develop and diversify its Eurobonds, Government Bonds, and Investment Management businesses.

This is a new position, resulting from the expansion of the company, and will report to the Deputy Managing Director responsible for Corporate Planning. Prime responsibilities will be to work within a small team which is dedicated to the organic growth of the Company. The brief is wide, involving long-term planning, interpretation of strategic issues in conjunction with line management, and working alongside business areas to formulate and implement new business proposals.

*Suitable candidates should ideally have the following profile:-*

- Education to degree level.
- A minimum of 4 years work experience, particularly in project management.
- Well-developed interpersonal and numeracy skills.
- A high degree of PC literacy as this role will involve the creation and utilisation of financial models.

Prior experience of the securities business is not required, but an aptitude and desire to develop such knowledge is essential.

Hall ALEXANDER

Financial Recruitment Consultants
Wellington House,
8 Upper St Martin's Lane, Covent Garden
London WC2H 9DL
Tel: 0171 240 2101 Fax: 0171 240 2060

For further details, please contact our advising consultant Gary Hall at Hall Alexander on 0171 240 2101 quoting Ref GH1020 or write to him enclosing a full curriculum vitae at the address opposite.

# PLANNING & FINANCIAL MANAGER

City — c£40,000 + Car + Benefits

Our client is a leading international financial services organisation, with an established reputation for innovation and creation in a highly competitive market. As a result of recent success, an opportunity now exists for an ambitious individual who is looking to develop a progressive career in financial services.

A key role in the senior management team, being responsible for the management and production of group financial reports and the development of reporting systems. The position requires the following skills and experience:

- A strong track record in the management of financial planning and budget formulation.
- Ability to communicate and liaise with people at all levels, combined with strong staff management skills.
- Proactive approach to the enhancement of management information systems.
- Project leading assignments to develop financial and corporate strategy.

In order to develop and perform within this role, candidates should be CIMA, ACCA or ACA qualified with 3-5 years commercial experience preferably within the financial services sector. Language skills in French or German are desirable.

*This position offers long term prospects for an individual who is looking to progress and create an impact.*

If you feel you could respond to the above challenge, send a CV quoting salary details, in confidence, to Richard Anson or Julie Thompson.

FMS, 5 Bream's Buildings,
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Tel: 0171-405 4161 Fax: 0171 430 1140
EMail: 100621.2024@compuserve.com
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The European finance headquarters office, in Frankfurt, is seeking a young dynamic individual to work directly with the Chief Financial Officer for Europe. As the assistant to the CFO, you will be responsible for dealing with a variety of financial operations – consolidation of European budgets, financial reporting and accounting, summarising monthly and quarterly results, budgetary control of key clients. You will work directly with the local subsidiaries and will be responsible for liaising with the Agency's executives in Europe and the USA. In addition, you will play an active role in the Agency's European acquisition strategy.

Aged in your mid to late 20's, the successful candidate will be an ACA or CPA qualified accountant from a recognised international accounting/audit firm. You will demonstrate a pro-active approach to financial management and have developed a strong communication ability, and the necessary skills to further develop your career in international financial management. Fluency in English is a prerequisite, and knowledge of an additional European language would be beneficial.

For an initial conversation about this outstanding career opportunity, please contact our advising Consultant **Mr Mark Pockele**, quoting reference **FT0049** on (Fax) +44 171 813 9479, or by post to **FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, UK.** Telephone +44 171 209 1000 for a confidential discussion.

FSS EUROPE

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# Divisional Finance Directors

NORTH, MIDLANDS, SOUTH — c£50K

Recent re-organisation of this dynamic and successful group, which is considering flotation, has created the need for divisional finance directors of autonomous and substantial businesses in excess of £50m turnover. The group is a leading playing in a people-intensive service sector with innovative and exciting plans for growth.

Reporting to a divisional managing director and a member of a small executive team, you will be responsible for providing financial management services to business general managers, including the formulation of plans, budgets and forecasts and the reporting and monitoring of financial performance. You will also provide strategic and operational support to the managing director and be expected to make a key commercial contribution to the development of the business.

You must be a qualified accountant, with at least 5 years post-qualification experience and now holding a senior position, preferably in a customer-focused service industry. In addition to the relevant technical and analytical skills, you should have a well-developed commercial awareness and good communication and presentation skills.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Abacus Court, 6 Minshull Street, Manchester M1 3ED, quoting reference P324 on both envelope and letter and indicating any constraints on location of employment.

EXECUTIVE CONNECTIONS

# International Audit Director

## Eastleigh – Hampshire

Warner Lambert is a company dedicated to serving the needs of people through the creation of superior consumer and pharmaceutical products. By providing products of high value Warner Lambert helps people around the world lead happier, healthier and longer lives.

A Fortune 500 company, Warner Lambert is a global organization employing approximately 36,000 people. The company is wholly focused on the research and development of a diverse portfolio of products. The company's portfolio of brands, which includes such household names as Halls, Listerine and Wilkinson Sword in addition to numerous 'OTC' and prescribed pharmaceutical products, generated revenues in excess of approx $7bn last year.

The recent promotion of the current Audit Director to Finance Director of one of the company's divisions leads Warner Lambert to seek a suitably gifted and able replacement. Managing a highly skilled and qualified Audit team you will take responsibility for the planning and management of operational and EDP audits across all of Warner Lambert's operations in Europe, Asia, Australasia and the Middle East.

A role of such magnitude and profile requires an exceptional individual. As a qualified Accountant or Auditor you must possess highly developed people management skills, be a persuasive yet diplomatic communicator and be capable of inspiring the respect and confidence of those who work for and with you. You must possess a sound understanding of current audit methodologies, have gained at least 8 years' diversified experience in Public Practice or a major multinational and be prepared to commit to a high degree of international travel (40%).

Needless to say, this position offers a comprehensive and highly competitive remuneration package.

If you feel you can meet the challenges that this exceptional role offers then please forward your CV to our Consultants **Anna Johnson** or **Paul Glatzel** at **Executive Connections, 43 Eagle St, London WC1R 4AP.(Fax: 0171 831 4571). E-Mail: response@executive-connections.co.uk.** If you have any questions, then please telephone them on 0171 242 8105 (evenings/weekends: 01895 824057). Please note any CVs forwarded directly to Warner Lambert will be passed to Executive Connections.

WARNER LAMBERT

# Finance Director

## c£85,000 & bonus & car

Our client is a global Information Company with strong positions in the Financial and Business Information Markets. The business is a large scale user of existing mainstream and emerging multi-media technologies. Turnover is well in excess of £100 million and is set for further substantial growth by continuing international acquisition as well as organic development.

They now wish to recruit a high calibre Chartered Accountant who will lead the Finance and Administration function through a period of reshaping and development to match the changing profile of the organisation and the needs of the business managers, its own Board; and the Parent group which is a major quoted UK plc. Understanding the management of, and issues affecting, large scale information technology systems is a central feature of the organisation.

Applicants must be graduate Chartered Accountants with a first class track record and a minimum of 5 years experience at Controller or Director level in a fast moving international High-tech/business services environment. Outstanding financial and business analytical skills and a flair for communication need to be combined with the leadership qualities and the interpersonal and managerial skills to get things done within a larger complex corporate environment. Experience of successfully identifying, negotiating and managing *acquisitions is important.*

Location – Central London.
Age guide line – mid/late 30's.
Please apply in confidence quoting ref: *L607* to:

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB.
Tel: 0171-240 7805.

Mason Izzard
a Mason & Nurse Associate

*Germany* — ***up to DM 275,000 + Bonus***

This is an exciting opportunity to join a major multinational corporate with a global presence. This organisation is one of the market leaders in its sector.

As a member of the corporate management team, this new position will work closely with the Finance Director and will take full responsibility for managing the reporting function. This will encompass the monthly, quarterly and annual management and financial reporting, enhancement of accounting systems and ad-*hoc projects.* The Accounting and Controlling department will be a direct report.

The successful candidate must have a proven track record of working in a fast moving, global environment. Specific experience of managing a large reporting team within a multinational is essential. In addition you will possess strong *interpersonal* skills with an international perspective coupled with a persistent nature to achieve the right results.

A Chartered Accountant aged between late 30's and early 40's, you will have 15 years plus post-qualifying experience within a group accounting role. Cultural awareness of the German marketplace and fluency in German and English are prerequisites. Computer literacy is essential together with experience in PC based reporting systems.

The package will include a basic salary up to DM 275,000, depending on experience, plus the other benefits associated with a quality organisation. The individual's career aspirations should be targeted beyond this role.

For further information in the strictest confidence, contact Anthony Cook or Raj Munde on 0171 240 1040. Alternatively send your résumé quoting reference number 2082/02 to Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN. Fax no: 0171 240 1052.

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fax: (00.33).92.93.08.56, e-mail: fca@riviera.fr

# IT Senior Appointments

GM

## General Motors International Operations

### Information Security Manager
**Competitive Salary + Car + Benefits**

General Motors International Operations (GMIO) is a major Business Sector of General Motors, the world's largest company and includes operations in over 40 countries.

We are seeking a high calibre individual to work within the Information Management function reporting directly to the Executive Director of Business Process and Information Management. Based in either Frankfurt, Luton or Zurich, the successful candidates will spend approximately 40% of their time at other international facilities.

**The Key Job Responsibilities will be:-**

- To develop, establish and maintain an Information Security Plan for GMIO, including the following:
  - An Information Security Policy.
  - A Security Risk Assessment Methodology.
  - Security metrics for regular reporting to GM Management.
  - Security awareness campaigns.
  - IT infrastructure security components.
  - Information classification and retention rules.
- Co-ordinate the implementation of the plan within the GMIO business units.
- Co-ordinate with legal, audit, internal control and corporate security functions on security related issues.
- Liaise with application development and quality assurance functions on security related issues.
- Liaise with legal and business functions on Data Protection requirements.

**The Key Job Qualifications are:-**

- Graduate with extensive practical experience of Information Security Practices and Issues as they impact a global company.
- High level of analytical & problem solving skills.
- Good team player with experience of multi-cultural organisation.
- Ability to work at all levels within the organisation.

Reply in strict confidence quoting reference ISM with CV and relevant experience by 16th June 1996 to:-Victoria Taylor, GMIO P.O. Box, Stelzenstrasse 4, CH8152 Glattbrugg, (Zurich), Switzerland.

# IT City Appointments

## BZW FRONT OFFICE
**Global Money Markets & Foreign Exchange**

BZW enjoys an enviable reputation as one of the world's leading investment banks. To sustain and accelerate the momentum built by our successful trading performance, we are determined to attract and develop business-oriented technologists with drive and vision. In particular we are committed to maintaining a position of leadership in front office technology. We recognise that this will only be realised with the contribution of talented individuals who possess the appropriate development, project management and man-management skills to turn commitment into reality.

For further information about these roles and the opportunities awaiting you, please contact our advising consultant, Karen Higgins, quoting the appropriate reference, on +44 (0) 171 247 7444. Alternatively send your CV to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: +44 (0) 171 247 7475. email: [illegible]

McGregor ■ Boyall

### DEVELOPMENT MANAGER
**MONEY MARKETS**

£Highly Competitive

London

**The role is ...**

- to lead a team of 10-12 Programmer/Analysts currently developing a Money Markets trading system
- to manage the redevelopment of the current HP Unix client server system to an NT client/Unix server platform
- to manage the ongoing development, expanding the functional range of the system

**The successful candidate will ...**

- have experience managing development teams of 8-12 bright developers and a successful track record of delivering large scale systems from either a financial software house or other bank
- have good technical skills and experience in OO, C++, Sybase, Unix/NT (however may now be largely hands-off)
- display excellent organisational and management (both project and man) skills

Ref: BZFT[illegible]

### SENIOR WINDOWS A/Ps
**FX/MM & FI**

£Highly Competitive

London

**The role is ...**

- to work very closely with the business (traders/quantitative analysts) developing a wide variety of front office systems to a Windows/NT environment using C/Visual C++ and Visual Basic development tools
- to develop a range of front office quantitative and analytical applications
- to aggressively identify innovative technology solutions according to current and future business needs

**The successful candidates will ...**

- have excellent technical backgrounds in C, C++, Windows, NT development and GUI skills, preferably including Visual C++
- have experience of spreadsheet development in Excel and a mathematical flair
- have an interest in front office development and an enthusiasm for acquiring business knowledge in foreign exchange, money markets and fixed income
- be team players, self-motivated, have excellent communication skills and will be able to deliver under pressure

Ref: BZFT[illegible]

INVESTMENT BANKING. FROM A TO BZW

# IT City Appointments

## Senior Opportunities in Financial Markets Selection

### Managing Consultant Information Technology
**circa £100,000 + car and benefits**

**The Role is...**

- to personally deliver successful recruitment services at management and senior technical levels
- to act as a mentor and role model to Senior Consultants, Consultants and Support Consultants within our firm
- to effectively manage project assignment teams
- to identify and help develop business opportunities within existing and potential clients

**The Candidate will...**

- be a highly intelligent (almost certainly a graduate) individual in their early 30s
- possess a minimum of five years' relevant experience which can have been acquired from a diversity of backgrounds including: recruitment consulting, HR, technology consulting or end user technology management (the latter must have included a significant element of team selection and management)
- display excellent communication and presentation skills
- show reasonable familiarity with business and technology trends within financial markets
- have the ability to work both independently and as a leader of multi-level teams
- be strongly service- and delivery-oriented

Ref: MBFT11

McGregor Boyall Associates are a leading selection consultancy specialising in the recruitment of IT management and technical personnel for financial markets organisations in the UK and Europe. Established for ten years we have consistently recorded year-on-year growth and developed an enviable client base of UK, US, European and Japanese firms. To help us sustain and increase our UK and international profile, we are seeking to attract two outstanding individuals to occupy senior positions within the firm.

For further details about these opportunities, please contact Laurie Boyall on our confidential telephone or fax line: 0171 247 1906. Alternatively, send your CV, quoting the appropriate reference number, to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. email: lboyall@mcgregor-boyall.co.uk

### Business Development Manager
**circa £100,000 + car and benefits**

**The Role is...**

- to create and develop business opportunities within existing and potential clients.
- to work effectively with consulting teams to ensure the delivery of successful selection services
- to produce and present clear and concise plans and to present these plans to senior management
- to identify new market opportunities where appropriate

**The Candidate will...**

- be in their early 30s
- have a successful track record of service or consulting sales
- have a graduate or professional qualification
- have a strong awareness of business and technology trends within financial markets
- combine a desire and ability to work independently with a recognition of the value of team working
- be service and delivery oriented

Ref: MBFT12

McGregor ■ Boyall

Business & Technology Selection for Financial Markets

## BANKING/FINANCIAL

### FIXED INCOME
to £60k + BANK BENS

Business Analysts with an excellent knowledge of either Fixed Income products or Equities are required to join this international finance house. Charged with the analysis of a number of new front office systems, your superb communication and Object Orientated analysis skills will be well rewarded. These are excellent opportunities to gain project ownership in a technologically advanced organisation.

### WINDOWS NT
to £45k + BONUS

Leading Investment Bank developing new applications for Equity Sales staff on the trading floor requires developers to work in elite team. Systems are implemented using Client/Server technology including Visual Basic, Excel, Visual C++, ODBC and SYBASE. You should have a minimum 2 years' Client/Server development using some of the above technology. You will be involved in all aspects of the development life cycle and work closely with the business.

### C++/MATHS
£30-50k + BONUS

Two financial engineers required with solid mathematics and C++ expertise. As integral members of a team supplying market risk information for fixed income, your primary activities will include relative value analysis, statistics and development of pricing tools for the trading desks. Highly numerate technicians with superior intellect need only apply.

### SYBASE
to £50k + BANK BENS

Leading Investment Bank seeks high calibre developers with solid SYBASE skills incorporating both design and development. Working alongside the traders, you will develop real-time applications so experience of C or POWERBUILDER and Rapid Application Development would be an advantage. Strong communication and presentation skills are essential. Superb opportunities to fast track your career

### C or C++/UNIX
to £50k + BONUS

Premier Investment Bank requires high calibre developers. Based on the trading floor, you will develop analytic applications supporting a diverse group of Fixed Income products. Environment is SUN/UNIX/C/SYBASE moving to Object-Oriented architecture including C++, Rogue Wave libraries, Object Centre and Rational Rose. Good degree, strong C/C++ programming and solid design skills. Preference given to candidates with SYBASE and financial expertise.

### C/C++/VISUAL BASIC
to £40k + BONUS

Talented C/C++/VB developers are required to join an elite team designing and implementing systems for the global distribution of financial data for an Investment Bank. You should have a minimum 18 months' experience developing and delivering systems to users. Exposure to Client Server, OO technologies and GUIs is desirable. Excellent career prospects.

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## Investment Banking I.T.
# Trading Systems Manager
**to £80,000 + Banking Bonus & Benefits — London**

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On January 1 1994, three of Berlin's leading banks linked to form Bankgesellschaft Berlin. With assets in excess of $159 billion we are committed to becoming a new force in international investment banking. We have embarked upon a major programme of growth in London where business activities include Money Markets, Foreign Exchange, Fixed Income, Repos and Securities lending, as well as Syndication and Asset backed lending. Integral to our growth and success will be the implementation of new, state-of-the-art IT systems which will drive our businesses forward. We are now seeking to appoint a Trading Systems Manager to play an essential role in shaping the business impact of IT.

**The Role is...**

- to establish, lead and manage an effective front-office development and implementation team.
- to direct the implementation of a front-office trading infrastructure.
- to manage the evaluation, selection, implementation and integration of "best of breed" front-office trading applications as they become available.
- to develop and implement a robust support strategy for trading users.
- to work closely with senior Risk, Credit, Finance and Settlements professionals.
- to make a strong contribution to Bank-wide projects in the area of front-office systems.

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**You will be...**

- a senior IT professional with strong working knowledge of modern trading systems from both a business and technical perspective.
- a proven team leader and man-manager.
- able to communicate effectively and authoritatively with sales and trading professionals utilising your in-depth investment banking experience.
- flexible, resourceful and comfortable working in a rapidly changing, greenfield site.
- looking for a demanding role which will give you the opportunity to shape your career and impact directly on business performance.

For further information, contact Kevin Davey, quoting reference BGFT78, on +44 (0) 171 247 7444. Alternatively, send your CV to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: +44 (0) 171 247 7475. email: kdavey@mcgregor-boyall.co.uk

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# CURRENCIES AND MONEY

MARKETS REPORT

## Rand lower but stable after government split

By Graham Bowley

The South African rand weakened again yesterday after Mr F W de Klerk, the deputy president, announced the National Party's withdrawal from the government coalition.

The Spanish peseta fell after Mr Rodrigo Rato, the economy minister, raised concerns about Spain's ability to join in European monetary union. Mr Rato said it was realistic to "stop the clock" towards a single European currency so that more countries could join Emu.

The D-Mark's revival continued amid growing optimism about the strength of the German economy. Worries that Emu might not start on time also buoyed the D-Mark.

The dollar came under some pressure late in the European session, particularly against the yen, despite earlier rumours of Bank of England intervention on behalf of the Bank of Japan to support the US currency. The dollar closed in London at Y104.7450, from Y105.23. Against the D-Mark, it finished at DM1.5168, from DM1.5183.

Sterling had another good day, remaining firm against the dollar and the D-Mark. It finished at DM2.3103, from DM2.3019. Against the dollar, it closed at $1.5232 from $1.5162.

The rand closed at R4.5025 against the dollar, from R4.4675.

■ The rand's troubles continued yesterday but analysts were confident that the worst was now probably over. It weakened against the dollar, but its fall was significantly smaller than Wednesday's decline which had come in anticipation of Mr De Klerk's announcement.

Mr David Bloom, an economist at HSBC James Capel in London, said: "Although sentiment is pretty poor we have seen the biggest chunk of the sell off." But he said there might be further nervousness in currency markets ahead of delayed local elections.

He calculated that 68 per cent of investment flows into South Africa last year were in the form of short-term portfolio flows, or "hot money", rather than long-term investment flows. "The problem with that is that it runs as quickly as it arrives," he said.

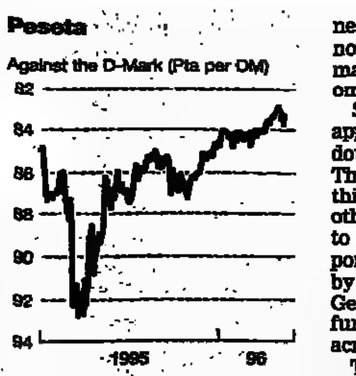
The rand fell about 9 per cent last month despite the reserve bank spending more than R2bn to support the currency. There is now growing concern about the bank's low levels of reserves, amid speculation yesterday that the authorities might raise interest rates as soon as today to defend the currency.

■ Pound in New York

| May 9 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5225 | 1.5145 |
| 1 mth | 1.5217 | 1.5137 |
| 3 mth | 1.5204 | 1.5124 |
| 1 yr | 1.5166 | 1.5085 |

**Peseta**

Against the D-Mark (Pta per DM)



Source: FT Extel

■ Recent signs of incipient strength in the German economy appears to be causing a change of view on the D-Mark, which gathered further upward momentum yesterday – at the expense of the more peripheral European currencies.

Mr Kit Juckes, at NatWest Markets in London, said: "A lot of positions this year are based on German economic weakness. But monetary policy is now very easy and it is only a matter of time before the economy surprises with growth."

Signs of D-Mark resurgence appears also to be casting some doubt on the start date of Emu. The D-Mark's weakness earlier this year relieved pressure on other countries, allowing them to cut interest rates and supporting the push towards Emu by 1999. But stronger growth in Germany throws into question further interest rate easings across Europe.

The Spanish peseta was the biggest casualty yesterday – its decline exacerbated by Mr Rato's comments – following declines in the Swedish krona on Wednesday.

Mr Mark Cliffe, economist at HSBC Markets in London, said the economy minister's remarks were "an indication that they really believe they're going to find it tough to reach the starting line by 1999."

Mr Juckes said the comments also fuelled fears that Spain might resort to competitive devaluation if the peseta were left out of the single currency. "That is why people have been having doubts about Spanish assets today,"

Mr Kay Haigh, analyst at Deutsche Morgan Grenfell in London, said attention in Europe was now on the German repo rate. He said expectations that it would fall to around 3 per cent from its current 3.3 per cent might be confounded if the economy continued to strengthen. This in turn would support the D-Mark.

■ The Bulgarian lev stabilised after the central bank raised interest rates to 108 per cent from 67 per cent to prop up the currency.

■ OTHER CURRENCIES

| May 9 | £ | $ |
|---|---|---|
| Czech Rp | 41.8712 - 41.9112 | 27.4980 - 27.5080 |
| Hungary | 224.482 - 224.746 | 147.430 - 147.510 |
| Iran | 4570.80 - 4568.10 | 3000.00 - 3000.00 |
| Kuwait | 0.4562 - 0.4566 | 0.2996 - 0.2997 |
| Poland | 4.0275 - 4.0345 | 2.6450 - 2.6480 |
| Russia | 7575.43 - 7584.48 | 4975.00 - 4978.00 |
| U.A.E. | 5.5926 - 5.5965 | 3.6728 - 3.6732 |

## POUND SPOT FORWARD AGAINST THE POUND

| May 9 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 16.2556 | +0.0595 | 475 - 637 | 16.2752 | 16.2157 | 16.2244 | 2.3 | 16.1494 | 2.6 | - | - | 106.1 |
| Belgium | (BFr) | 47.4861 | +0.1538 | 626 - 135 | 47.7660 | 47.3850 | 47.3831 | 2.7 | 47.1731 | 2.7 | 46.1591 | 2.8 | 106.9 |
| Denmark | (DKr) | 8.9253 | +0.0399 | 207 - 298 | 8.9352 | 8.9048 | 8.9099 | 2.1 | 8.8771 | 2.2 | 8.7336 | 2.1 | 107.7 |
| Finland | (FM) | 7.1978 | -0.0078 | 899 - 056 | 7.2690 | 7.1880 | 7.1934 | 0.7 | 7.1853 | 0.7 | - | - | 82.5 |
| France | (FFr) | 7.8303 | +0.0388 | 270 - 336 | 7.8419 | 7.8020 | 7.8162 | 2.2 | 7.7863 | 2.1 | 7.6554 | 2.2 | 109.3 |
| Germany | (DM) | 2.3103 | +0.0084 | 092 - 113 | 2.3137 | 2.3021 | 2.3065 | 2.8 | 2.2949 | 2.7 | 2.2445 | 2.8 | 108.6 |
| Greece | (Dr) | 368.298 | +2.178 | 113 - 483 | 369.152 | 367.265 | - | - | - | - | - | - | 67.2 |
| Ireland | (I£) | 0.9682 | +0.0025 | 674 - 689 | 0.9690 | 0.9657 | 0.9674 | 1.0 | 0.9661 | 0.8 | 0.9593 | 0.9 | 98.5 |
| Italy | (L) | 2376.49 | +13.65 | 541 - 756 | 2382.73 | 2369.63 | 2384.74 | -4.2 | 2399.84 | -3.9 | 2452.54 | -3.2 | 75.3 |
| Luxembourg | (LFr) | 47.4861 | +0.1538 | 626 - 135 | 47.7660 | 47.3850 | 47.3831 | 2.7 | 47.1731 | 2.7 | 46.2531 | 2.8 | 106.9 |
| Netherlands | (Fl) | 2.5815 | +0.0062 | 802 - 828 | 2.5864 | 2.5768 | 2.5752 | 3.0 | 2.5625 | 3.0 | 2.5033 | 3.0 | 107.3 |
| Norway | (NKr) | 9.9428 | +0.0347 | 353 - 503 | 9.9727 | 9.9238 | 9.9338 | 1.1 | 9.9147 | 1.1 | 9.819 | 1.2 | 98.6 |
| Portugal | (Es) | 238.183 | +1.898 | 029 - 337 | 238.570 | 235.866 | 238.608 | -2.1 | 239.513 | -2.2 | - | - | 94.8 |
| Spain | (Pta) | 193.562 | +1.637 | 429 - 695 | 193.929 | 192.216 | 193.872 | -1.9 | 194.367 | -1.7 | 196.022 | -1.3 | 81.2 |
| Sweden | (SKr) | 10.3429 | +0.0159 | 330 - 515 | 10.4030 | 10.3301 | 10.3435 | -0.1 | 10.3452 | -0.1 | 10.3474 | 0.0 | 89.2 |
| Switzerland | (SFr) | 1.8841 | +0.0136 | 830 - 852 | 1.8855 | 1.8734 | 1.8779 | 3.9 | 1.8661 | 4.0 | 1.8075 | 4.1 | 112.0 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 84.4 |
| Ecu | - | 1.2322 | +0.0053 | 315 - 329 | 1.2380 | 1.2295 | 1.2309 | 1.3 | 1.2279 | 1.4 | 1.2146 | 1.4 | - |
| SDR† | - | 1.04851 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5221 | +0.007 | 207 - 234 | 1.5284 | 1.5202 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.5126 | +0.0061 | 120 - 131 | 1.5147 | 1.5105 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.0821 | +0.0088 | 811 - 831 | 2.0847 | 2.0759 | 2.0814 | 0.4 | 2.0777 | 0.8 | 2.0687 | 0.6 | 84.2 |
| Mexico | (New Peso) | 11.3594 | +0.0539 | 822 - 965 | 11.4143 | 11.3762 | - | - | - | - | - | - | - |
| USA | ($) | 1.5232 | +0.007 | 227 - 236 | 1.5270 | 1.5210 | 1.5224 | 0.6 | 1.5212 | 0.5 | 1.5179 | 0.3 | 96.1 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.9077 | +0.014 | 055 - 098 | 1.9140 | 1.8996 | 1.9103 | -1.6 | 1.9153 | -1.6 | 1.9405 | -1.7 | 93.4 |
| Hong Kong | (HK$) | 11.7826 | +0.054 | 787 - 864 | 11.8113 | 11.7665 | 11.7745 | 0.8 | 11.7629 | 0.7 | 11.7431 | 0.3 | - |
| India | (Rs) | 53.1561 | +0.775 | 616 - 546 | 53.5090 | 52.6230 | - | - | - | - | - | - | - |
| Israel | (Shk) | 4.9314 | +0.0113 | 226 - 404 | 4.9491 | 4.8748 | - | - | - | - | - | - | - |
| Japan | (Y) | 159.542 | -0.003 | 457 - 626 | 160.320 | 159.250 | 158.817 | 5.5 | 157.327 | 5.6 | 150.912 | 5.4 | 139.7 |
| Malaysia | (M$) | 3.7937 | +0.0276 | 918 - 956 | 3.7961 | 3.7785 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.2131 | +0.0111 | 116 - 146 | 2.2196 | 2.2095 | 2.2181 | -2.7 | 2.2276 | -2.6 | 2.2614 | -2.2 | 107.1 |
| Philippines | (Peso) | 39.8304 | +0.1691 | 577 - 031 | 39.9050 | 39.7500 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.7124 | +0.0262 | 104 - 144 | 5.7268 | 5.7045 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.1397 | +0.0096 | 386 - 411 | 2.1431 | 2.1355 | - | - | - | - | - | - | - |
| South Africa | (R) | 6.8580 | +0.0846 | 483 - 676 | 6.9251 | 6.8230 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1185.70 | +5.6 | 527 - 612 | 1188.62 | 1184.10 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 41.3856 | +0.1903 | 657 - 054 | 41.4825 | 41.3241 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 38.4367 | +0.1766 | 101 - 633 | 38.5230 | 38.3790 | - | - | - | - | - | - | - |

† Rates for May 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| May 9 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 10.6724 | -0.01 | 702 - 745 | 10.6860 | 10.6550 | 10.6529 | 2.2 | 10.6109 | 2.5 | 10.4274 | 2.3 | 104.8 |
| Belgium | (BFr) | 31.1775 | -0.0425 | 700 - 850 | 31.3400 | 31.1400 | 31.1225 | 2.1 | 31.0075 | 2.2 | 30.4675 | 2.3 | 106.6 |
| Denmark | (DKr) | 5.8598 | -0.0007 | 585 - 610 | 5.8845 | 5.8429 | 5.8523 | 1.5 | 5.8353 | 1.7 | 5.7563 | 1.6 | 107.1 |
| Finland | (FM) | 4.7256 | -0.027 | 218 - 293 | 4.7707 | 4.7193 | 4.7191 | 1.7 | 4.7071 | 1.6 | 4.6616 | 1.4 | 81.4 |
| France | (FFr) | 5.1409 | +0.0019 | 402 - 416 | 5.1490 | 5.1260 | 5.134 | 1.6 | 5.1197 | 1.6 | 5.0519 | 1.7 | 108.9 |
| Germany | (DM) | 1.5168 | -0.0015 | 165 - 170 | 1.5198 | 1.5132 | 1.5143 | 2.0 | 1.5085 | 2.2 | 1.4803 | 2.4 | 107.9 |
| Greece | (Dr) | 241.800 | +0.32 | 750 - 850 | 242.200 | 240.840 | 243.475 | -8.3 | 246.825 | -8.3 | 260.8 | -7.9 | 66.8 |
| Ireland | (I£) | 1.5733 | +0.0033 | 725 - 740 | 1.5785 | 1.5710 | 1.5738 | -0.4 | 1.5747 | -0.4 | 1.5662 | 0.4 | - |
| Italy | (L) | 1560.25 | +1.8 | 000 - 050 | 1563.00 | 1556.20 | 1566.3 | -4.7 | 1577.85 | -4.5 | 1618.75 | -3.7 | 75.0 |
| Luxembourg | (LFr) | 31.1775 | -0.0425 | 700 - 850 | 31.3400 | 31.1400 | 31.1245 | 2.0 | 31.018 | 2.0 | 30.5375 | 2.1 | 106.6 |
| Netherlands | (Fl) | 1.6949 | -0.0024 | 945 - 952 | 1.6980 | 1.6928 | 1.6916 | 2.4 | 1.6845 | 2.5 | 1.6527 | 2.5 | 106.6 |
| Norway | (NKr) | 6.5278 | -0.0073 | 248 - 308 | 6.5532 | 6.5163 | 6.5248 | 0.5 | 6.5193 | 0.5 | 6.4828 | 0.7 | 97.8 |
| Portugal | (Es) | 156.375 | +0.55 | 320 - 430 | 156.520 | 154.710 | 156.69 | -2.4 | 157.28 | -2.3 | 159.425 | -2.0 | 95.0 |
| Spain | (Pta) | 127.080 | +0.625 | 030 - 130 | 127.270 | 126.230 | 127.33 | -2.4 | 127.76 | -2.1 | 129.3 | -1.7 | 81.3 |
| Sweden | (SKr) | 6.7901 | -0.0508 | 860 - 941 | 6.8315 | 6.7831 | 6.8011 | -2.0 | 6.8188 | -1.7 | 6.8606 | -1.0 | 87.5 |
| Switzerland | (SFr) | 1.2370 | +0.0035 | 865 - 875 | 1.2375 | 1.2315 | 1.2338 | 3.4 | 1.226 | 3.6 | 1.1925 | 3.6 | 111.7 |
| UK | (£) | 1.5232 | +0.007 | 227 - 236 | 1.5270 | 1.5210 | 1.5224 | 0.6 | 1.5212 | 0.5 | 1.5179 | 0.3 | 83.6 |
| Ecu | - | 1.2362 | +0.0004 | 358 - 365 | 1.2377 | 1.2345 | 1.2369 | -0.7 | 1.2386 | -0.8 | 1.2474 | -0.9 | - |
| SDR† | - | 0.68992 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9993 | - | 987 - 999 | 1.0001 | 0.9986 | - | - | - | - | - | - | - |
| Brazil | (R$) | 0.9931 | +0.0006 | 930 - 931 | 0.9931 | 0.9930 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3670 | +0.0005 | 667 - 672 | 1.3679 | 1.3634 | 1.3668 | 0.1 | 1.3671 | 0.0 | 1.3699 | -0.2 | 83.3 |
| Mexico | (New Peso) | 7.4775 | +0.001 | 750 - 800 | 7.4800 | 7.4720 | 7.636 | -25.0 | 7.824 | -18.5 | 8.9575 | -20.2 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 97.0 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.2523 | +0.0034 | 520 - 526 | 1.2534 | 1.2490 | 1.2543 | -1.9 | 1.2578 | -1.8 | 1.2765 | -1.9 | 95.7 |
| Hong Kong | (HK$) | 7.7357 | -0.0001 | 354 - 359 | 7.7365 | 7.7350 | 7.7364 | -0.1 | 7.7382 | -0.1 | 7.7662 | -0.4 | - |
| India | (Rs) | 34.9000 | +0.35 | 500 - 500 | 35.1500 | 34.5500 | 35.05 | -5.2 | 35.355 | -5.2 | 36.825 | -5.5 | - |
| Israel | (Shk) | 3.2376 | -0.0075 | 326 - 426 | 3.2474 | 3.2000 | - | - | - | - | - | - | - |
| Japan | (Y) | 104.745 | -0.485 | 720 - 770 | 105.150 | 104.600 | 104.3 | 5.1 | 103.4 | 5.1 | 99.66 | 4.9 | 138.4 |
| Malaysia | (M$) | 2.4907 | +0.0057 | 902 - 912 | 2.4915 | 2.4795 | 2.4916 | -0.4 | 2.4977 | -1.1 | 2.5212 | -1.2 | - |
| New Zealand | (NZ$) | 1.4529 | +0.0007 | 524 - 535 | 1.4537 | 1.4524 | 1.456 | -2.6 | 1.4618 | -2.5 | 1.4864 | -2.3 | - |
| Philippines | (Peso) | 26.1500 | - | 100 - 900 | 26.1900 | 26.1100 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7504 | - | 502 - 506 | 3.7506 | 3.7502 | 3.7508 | -0.1 | 3.7516 | -0.1 | 3.7549 | -0.1 | - |
| Singapore | (S$) | 1.4048 | -0.0002 | 043 - 053 | 1.4062 | 1.4040 | 1.4013 | 3.0 | 1.3955 | 2.7 | 1.3696 | 2.5 | - |
| South Africa | (R) | 4.5025 | +0.035 | 975 - 075 | 4.5500 | 4.4950 | 4.5312 | -7.7 | 4.5826 | -7.1 | 4.805 | -6.7 | - |
| South Korea | (Won) | 778.450 | +0.1 | 400 - 500 | 778.500 | 778.300 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 27.1710 | - | 660 - 760 | 27.1800 | 27.1650 | 27.191 | -0.9 | 27.231 | -0.9 | - | - | - |
| Thailand | (Bt) | 25.2350 | - | 250 - 450 | 25.2450 | 25.2200 | 25.3337 | -4.7 | 25.5375 | -4.8 | 26.42 | -4.7 | - |

† SDR rate per $ for May 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 8: Base average 1990=100.

## WORLD INTEREST RATES

### MONEY RATES

| May 9 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 3 1/4 | 3 1/4 | 3 1/4 | 3 1/4 | 3 3/8 | 7.00 | 2.50 | - |
| week ago | 3 3/8 | 3 1/4 | 3 1/4 | 3 1/4 | 3 3/8 | 7.00 | 2.50 | - |
| France | 3 13/16 | 3 13/16 | 3 13/16 | 3 7/8 | 4 1/16 | 3.70 | - | 5.60 |
| week ago | 3 13/16 | 3 13/16 | 3 3/4 | 3 13/16 | 3 15/16 | 3.70 | - | 5.60 |
| Germany | 3 3/8 | 3 3/8 | 3 3/8 | 3 1/4 | 3 3/8 | 4.50 | 2.50 | 3.30 |
| week ago | 3 1/4 | 3 3/8 | 3 11/32 | 3 3/8 | 3 3/8 | 4.50 | 2.50 | 3.30 |
| Ireland | 5 | 5 1/4 | 5 1/4 | 5 1/8 | 5 3/8 | - | - | 6.25 |
| week ago | 5 | 5 1/4 | 4 15/16 | 5 1/4 | 5 1/4 | - | - | 6.25 |
| Italy | 9 5/8 | 9 1/4 | 8 7/8 | 8 13/16 | 8 3/4 | - | 9.00 | 9.32 |
| week ago | 9 | 9 1/4 | 8 15/16 | 8 13/16 | 8 13/16 | - | 9.00 | 9.32 |
| Netherlands | 2 13/16 | 2 13/16 | 2 13/16 | 2 13/16 | 2 15/16 | - | 3.00 | 3.30 |
| week ago | 2 13/16 | 2 13/16 | 2 13/16 | 2 7/8 | 2 15/16 | - | 3.00 | 3.30 |
| Switzerland | 1 3/4 | 1 13/16 | 1 13/16 | 1 7/8 | 2 | 5.00 | 1.50 | - |
| week ago | 1 7/8 | 1 13/16 | 1 13/16 | 1 13/16 | 1 15/16 | 5.00 | 1.50 | - |
| US | 5 1/4 | 5 3/8 | 5 3/8 | 5 3/8 | 5 7/8 | - | 5.00 | - |
| week ago | 5 1/8 | 5 3/8 | 5 13/32 | 5 1/2 | 5 13/16 | - | 5.00 | - |
| Japan | 1/2 | 1/2 | 1/2 | 1/2 | 1 1/8 | - | 0.50 | - |
| week ago | 1/2 | 1/2 | 1/2 | 1/2 | 1 1/32 | - | 0.50 | - |
| **■ $ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | 5 3/8 | 5 1/2 | 5 5/8 | 5 15/16 | - | - | - |
| week ago | - | 5 3/8 | 5 1/2 | 5 5/8 | 5 7/8 | - | - | - |
| US Dollar CDs | - | 5.10 | 5.12 | 5.30 | 5.69 | - | - | - |
| week ago | - | 5.10 | 5.15 | 5.29 | 5.68 | - | - | - |
| ECU Linked Ds | - | 4 3/4 | 4 5/8 | 4 1/4 | 4 3/8 | - | - | - |
| week ago | - | 4 3/4 | 4 1/4 | 4 1/4 | 4 3/8 | - | - | - |
| SDR Linked Ds | - | 3 3/8 | 3 3/8 | 3 13/32 | 3 13/32 | - | - | - |
| week ago | - | 3 3/8 | 3 3/8 | 3 13/32 | 3 13/32 | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| May 9 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 3 11/32 - 3 1/4 | 3 11/32 - 3 1/4 | 3 3/8 - 3 1/4 | 3 3/8 - 3 1/4 | 3 3/8 - 3 1/4 | 3 7/16 - 3 5/16 |
| Danish Krone | 3 27/32 - 3 21/32 | 3 27/32 - 3 11/16 | 3 27/32 - 3 23/32 | 3 27/32 - 3 23/32 | 3 29/32 - 3 25/32 | 4 1/32 - 3 29/32 |
| D-Mark | 3 3/8 - 3 1/4 | 3 3/8 - 3 1/4 | 3 3/8 - 3 1/4 | 3 1/4 - 3 1/4 | 3 3/8 - 3 1/4 | 3 3/8 - 3 1/4 |
| Dutch Guilder | 2 15/16 - 2 13/16 | 2 15/16 - 2 13/16 | 2 31/32 - 2 27/32 | 2 31/32 - 2 27/32 | 2 31/32 - 2 27/32 | 2 7/8 - 2 29/32 |
| French Franc | 3 13/16 - 3 11/16 | 3 13/16 - 3 23/32 | 3 7/8 - 3 3/4 | 3 7/8 - 3 3/4 | 3 31/32 - 3 27/32 | 4 1/16 - 3 31/32 |
| Portuguese Esc. | 7 1/16 - 6 15/16 | 7 13/16 - 7 1/16 | 7 13/16 - 7 1/4 | 7 1/4 - 7 1/8 | 7 7/32 - 7 3/32 | 7 7/32 - 7 3/32 |
| Spanish Peseta | 7 13/16 - 7 1/16 | 7 13/16 - 7 1/16 | 7 13/16 - 7 11/16 | 7 13/16 - 7 11/16 | 7 13/16 - 7 11/16 | 7 13/16 - 7 11/16 |
| Sterling | 6 - 5 7/8 | 6 - 5 7/8 | 6 1/32 - 5 31/32 | 6 1/16 - 6 | 6 3/16 - 6 1/16 | 6 3/8 - 6 1/4 |
| Swiss Franc | 1 15/16 - 1 13/16 | 1 15/16 - 1 13/16 | 1 7/8 - 1 3/4 | 1 7/8 - 1 3/4 | 1 15/16 - 1 13/16 | 2 1/8 - 2 |
| Can. Dollar | 4 13/16 - 4 5/8 | 4 3/4 - 4 5/8 | 4 3/4 - 4 5/8 | 4 7/8 - 4 3/4 | 5 1/16 - 4 15/16 | 5 3/8 - 5 1/4 |
| US Dollar | 5 3/8 - 5 1/4 | 5 3/8 - 5 1/4 | 5 3/8 - 5 1/4 | 5 1/2 - 5 3/8 | 5 5/8 - 5 1/2 | 5 15/16 - 5 13/16 |
| Italian Lira | 9 7/16 - 8 15/16 | 9 1/8 - 9 1/16 | 9 1/16 - 8 15/16 | 8 15/16 - 8 13/16 | 8 15/16 - 8 13/16 | 8 15/16 - 8 13/16 |
| Yen | 3/8 - 1/4 | 3/8 - 1/4 | 5/8 - 1/2 | 11/16 - 9/16 | 13/16 - 11/16 | 1 1/16 - 1 1/16 |
| Asian $Sing | 2 1/4 - 2 1/8 | 2 1/4 - 2 1/8 | 2 1/4 - 2 1/8 | 2 1/4 - 2 1/8 | 2 7/16 - 2 5/16 | 2 5/8 - 2 1/2 |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 96.09 | 96.05 | -0.05 | 96.11 | 96.02 | 22,812 | 53,710 |
| Sep | 96.09 | 96.06 | -0.04 | 96.11 | 96.02 | 15,290 | 52,355 |
| Dec | 95.90 | 95.90 | -0.01 | 95.92 | 95.85 | 6,120 | 31,435 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 96.82 | 96.80 | - | 96.82 | 96.79 | 14327 | 198493 |
| Sep | 96.88 | 96.84 | - | 96.88 | 96.83 | 17495 | 241552 |
| Dec | 96.66 | 96.64 | +0.01 | 96.66 | 96.63 | 16663 | 207573 |
| Mar | 96.33 | 96.33 | +0.03 | 96.36 | 96.31 | 19956 | 144853 |

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 91.28 | 91.26 | -0.08 | 91.31 | 91.23 | 10947 | 53028 |
| Sep | 91.80 | 91.77 | -0.08 | 91.86 | 91.75 | 6028 | 34270 |
| Dec | 91.98 | 91.94 | -0.07 | 91.99 | 91.92 | 2184 | 23034 |
| Mar | 91.93 | 91.88 | -0.05 | 91.96 | 91.83 | 714 | 8955 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 98.14 | 98.08 | -0.05 | 98.14 | 98.07 | 3165 | 25926 |
| Sep | 98.10 | 98.03 | -0.04 | 98.10 | 98.02 | 3433 | 17936 |
| Dec | 97.82 | 97.78 | -0.03 | 97.83 | 97.77 | 726 | 11785 |
| Mar | 97.52 | 97.48 | -0.02 | 97.53 | 97.48 | 750 | 4454 |

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 99.14 | 99.14 | +0.03 | 99.14 | 99.14 | 100 | na |
| Sep | 98.83 | 98.83 | +0.05 | 98.83 | 98.83 | 308 | na |
| Dec | 98.51 | 98.51 | +0.07 | 98.51 | 98.50 | 1175 | na |

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 95.77 | 95.71 | -0.04 | 95.77 | 95.68 | 1331 | 10096 |
| Sep | 95.79 | 95.77 | -0.01 | 95.79 | 95.75 | 793 | 4925 |
| Dec | 95.65 | 95.62 | - | 95.65 | 95.60 | 395 | 3455 |
| Mar | 95.39 | 95.39 | +0.03 | 95.39 | 95.36 | 280 | 2174 |

* LIFFE futures also traded on APT

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| May 9 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 18.79 | 16.49 | 4.864 | 2.038 | 5003 | 5.437 | 20.94 | 501.6 | 407.7 | 21.77 | 3.967 | 2.106 | 4.384 | 3.207 | 335.9 | 2.594 |
| Denmark | (DKr) | 53.21 | 10 | 8.773 | 2.588 | 1.085 | 2662 | 2.893 | 11.14 | 266.9 | 216.9 | 11.59 | 2.111 | 1.120 | 2.333 | 1.706 | 178.7 | 1.380 |
| France | (FFr) | 60.65 | 11.40 | 10 | 2.950 | 1.236 | 3034 | 3.298 | 12.70 | 304.2 | 247.3 | 13.21 | 2.406 | 1.277 | 2.659 | 1.945 | 203.7 | 1.573 |
| Germany | (DM) | 20.56 | 3.864 | 3.390 | 1 | 0.419 | 1029 | 1.118 | 4.304 | 103.1 | 83.81 | 4.478 | 0.816 | 0.433 | 0.901 | 0.659 | 69.05 | 0.533 |
| Ireland | (I£) | 49.08 | 9.220 | 8.089 | 2.386 | 1 | 2455 | 2.667 | 10.27 | 246.1 | 200.0 | 10.68 | 1.946 | 1.033 | 2.151 | 1.573 | 164.8 | 1.273 |
| Italy | (L) | 1.999 | 0.376 | 0.330 | 0.097 | 0.041 | 100. | 0.109 | 0.418 | 10.03 | 8.148 | 0.435 | 0.079 | 0.042 | 0.088 | 0.064 | 6.713 | 0.052 |
| Netherlands | (Fl) | 18.39 | 3.457 | 3.033 | 0.895 | 0.375 | 920.2 | 1 | 3.851 | 92.25 | 74.98 | 4.005 | 0.730 | 0.387 | 0.806 | 0.590 | 61.77 | 0.477 |
| Norway | (NKr) | 47.75 | 8.976 | 7.875 | 2.323 | 0.974 | 2390 | 2.597 | 10 | 239.5 | 194.7 | 10.40 | 1.895 | 1.006 | 2.094 | 1.532 | 160.4 | 1.239 |
| Portugal | (Es) | 19.94 | 3.747 | 3.287 | 0.970 | 0.406 | 997.5 | 1.084 | 4.174 | 100. | 81.28 | 4.341 | 0.791 | 0.420 | 0.874 | 0.639 | 66.96 | 0.517 |
| Spain | (Pta) | 24.53 | 4.610 | 4.044 | 1.193 | 0.500 | 1227 | 1.334 | 5.136 | 123.0 | 100. | 5.341 | 0.973 | 0.517 | 1.075 | 0.787 | 82.39 | 0.636 |
| Sweden | (SKr) | 45.93 | 8.632 | 7.573 | 2.234 | 0.936 | 2298 | 2.497 | 9.616 | 230.4 | 187.2 | 10 | 1.822 | 0.967 | 2.014 | 1.473 | 154.3 | 1.191 |
| Switzerland | (SFr) | 25.21 | 4.737 | 4.156 | 1.226 | 0.514 | 1261 | 1.370 | 5.278 | 126.4 | 102.8 | 5.488 | 1 | 0.531 | 1.105 | 0.808 | 84.68 | 0.654 |
| UK | (£) | 47.49 | 8.925 | 7.830 | 2.310 | 0.968 | 2376 | 2.582 | 9.943 | 238.2 | 193.6 | 10.34 | 1.884 | 1 | 2.082 | 1.523 | 159.5 | 1.232 |
| Canada | (C$) | 22.81 | 4.287 | 3.761 | 1.110 | 0.465 | 1141 | 1.240 | 4.776 | 114.4 | 92.99 | 4.966 | 0.905 | 0.480 | 1 | 0.732 | 76.61 | 0.592 |
| US | ($) | 31.18 | 5.860 | 5.141 | 1.517 | 0.636 | 1560 | 1.695 | 6.529 | 156.4 | 127.1 | 6.789 | 1.237 | 0.657 | 1.367 | 1 | 104.7 | 0.809 |
| Japan | (Y) | 29.77 | 5.596 | 4.909 | 1.448 | 0.607 | 1490 | 1.619 | 6.234 | 149.3 | 121.4 | 6.483 | 1.181 | 0.627 | 1.305 | 0.955 | 100. | 0.772 |
| Ecu | | 38.55 | 7.244 | 6.358 | 1.875 | 0.786 | 1929 | 2.096 | 8.071 | 193.3 | 157.1 | 8.393 | 1.529 | 0.812 | 1.690 | 1.236 | 129.5 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.6609 | 0.6601 | -0.0003 | 0.6616 | 0.6601 | 38,132 | 79,773 |
| Sep | 0.6648 | 0.6642 | - | 0.6650 | 0.6642 | 290 | 4,120 |
| Dec | 0.6694 | 0.6685 | +0.0001 | 0.6694 | 0.6685 | 44 | 887 |

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.8133 | 0.8112 | -0.0022 | 0.8147 | 0.8112 | 19,638 | 42,754 |
| Sep | 0.8203 | 0.8183 | -0.0023 | 0.8208 | 0.8183 | 174 | 2,091 |
| Dec | - | 0.8270 | -0.0012 | - | 0.8270 | 1 | 721 |

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.9552 | 0.9593 | -0.0044 | 0.9606 | 0.9549 | 16,553 | 54,323 |
| Sep | 0.9695 | 0.9709 | +0.0048 | 0.9721 | 0.9695 | 224 | 2,866 |
| Dec | 0.9815 | 0.9815 | +0.0042 | 0.9815 | 0.9815 | 54 | 2,050 |

■ STERLING FUTURES (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 1.5224 | 1.5218 | -0.0010 | 1.5250 | 1.5200 | 29,433 | 48,250 |
| Sep | 1.5240 | 1.5200 | -0.0014 | 1.5240 | 1.5200 | 21 | 396 |
| Dec | 1.5230 | 1.5210 | +0.0006 | 1.5230 | 1.5210 | 7 | 30 |

## UK INTEREST RATES

### LONDON MONEY RATES

| May 9 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 6 1/8 - 5 | 6 1/16 - 5 7/8 | 6 1/16 - 5 15/16 | 6 1/8 - 6 | 6 3/16 - 6 1/16 | 6 7/16 - 6 5/16 |
| Sterling CDs | - | - | 6 - 5 15/16 | 6 1/32 - 5 31/32 | 6 3/32 - 5 31/32 | 6 3/32 - 6 1/4 |
| Treasury Bills | - | - | 5 15/16 - 5 7/8 | 5 31/32 - 5 15/16 | - | - |
| Bank Bills | - | - | 5 31/32 - 5 15/16 | 5 7/8 - 5 15/16 | 5 31/32 - 5 15/16 | - |
| Local authority deps. | 6 1/16 - 5 15/16 | 6 1/16 - 5 15/16 | 6 1/16 - 5 15/16 | 6 1/16 - 6 1/16 | 6 1/16 - 6 | 6 3/16 - 6 1/16 |
| Discount Market deps | 6 1/8 - 5 3/4 | 6 - 5 7/8 | - | - | - | - |

UK clearing bank base lending rate 6 per cent from March 8, 1996

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 2 1/2 | 5 1/2 | 5 | 5 | 4 3/4 |

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc. Ave. tender rate of discount on May 3, 5.8172pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1996. Agreed rate for period May 26, 1996 to Jun 25, 1996, Schemes II & III 7.33pc. Reference rate for period Mar 30, 1996 to Apr 30, 1996, Schemes IV & V 6.079pc. Finance House Base Rate 6.5pc from May 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.02 | 93.97 | -0.03 | 94.03 | 93.96 | 12927 | 79461 |
| Sep | 93.92 | 93.87 | -0.02 | 93.93 | 93.86 | 12972 | 61527 |
| Dec | 93.61 | 93.57 | -0.01 | 93.63 | 93.56 | 14815 | 62122 |
| Mar | 93.16 | 93.13 | +0.01 | 93.19 | 93.11 | 7590 | 48291 |
| Jun | 92.73 | 92.71 | +0.02 | 92.77 | 92.68 | 4365 | 37832 |

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Jun | CALLS Sep | CALLS Dec | PUTS Jun | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|
| 9375 | 0.24 | 0.24 | 0.23 | 0.02 | 0.12 | 0.41 |
| 9400 | 0.06 | 0.11 | 0.13 | 0.09 | 0.24 | 0.56 |
| 9425 | 0.01 | 0.04 | 0.07 | 0.29 | 0.42 | 0.75 |

Est. vol. total, Calls 2525 Puts 1545. Previous day's open int., Calls 137436 Puts 121141

### EMS EUROPEAN CURRENCY UNIT RATES

| May 9 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Spain | 162.493 | 159.892 | +0.944 | -1.60 | 2.78 | 11 |
| Netherlands | 2.15214 | 2.13194 | -0.00173 | -0.94 | 2.09 | 7 |
| Belgium | 39.3960 | 39.2115 | -0.0272 | -0.47 | 1.61 | 3 |
| Germany | 1.91007 | 1.90723 | -0.00159 | -0.15 | 1.28 | 1 |
| Austria | 13.4383 | 13.4198 | -0.0109 | -0.14 | 1.27 | 1 |
| Portugal | 195.792 | 196.589 | +0.48 | 0.41 | 0.72 | -3 |
| Ireland | 0.792214 | 0.798994 | -0.000478 | 0.86 | 0.27 | -6 |
| France | 6.40608 | 6.46443 | +0.00513 | 0.91 | 0.22 | -5 |
| Denmark | 7.28580 | 7.36832 | -0.00002 | 1.13 | 0.00 | -5 |
| NON ERM MEMBERS | | | | | | |
| Italy | 2106.15 | 1964.36 | +7.16 | -6.73 | 8.43 | - |
| Greece | 292.867 | 304.351 | +0.719 | 3.92 | -2.68 | - |
| UK | 0.786652 | 0.825614 | -0.002378 | 4.95 | -3.64 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

| Strike Price | CALLS May | CALLS Jun | CALLS Jul | PUTS May | PUTS Jun | PUTS Jul |
|---|---|---|---|---|---|---|
| 1.480 | 4.28 | 4.29 | 4.43 | 0.03 | 0.01 | 0.21 |
| 1.490 | 3.28 | 3.36 | 3.59 | 0.03 | 0.10 | 0.37 |
| 1.500 | 2.33 | 2.51 | 2.83 | 0.03 | 0.26 | 0.61 |
| 1.510 | 1.36 | 1.82 | 2.20 | 0.07 | 0.52 | 0.93 |
| 1.520 | 0.55 | 1.20 | 1.63 | 0.16 | 0.89 | 1.34 |

Previous day's vol., Calls 3,980 Puts 4,726. Prev. day's open int., Calls 171,373 Puts 181,502

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.48 | 94.49 | +0.01 | 94.50 | 94.48 | 48,730 | 366,952 |
| Sep | 94.25 | 94.24 | - | 94.26 | 94.22 | 45,431 | 348,227 |
| Dec | 93.93 | 93.93 | - | 93.95 | 93.90 | 95,702 | 348,053 |

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.98 | 94.98 | +0.01 | 94.98 | 94.97 | 841 | 9,674 |
| Sep | 94.74 | 94.73 | +0.01 | 94.74 | 94.72 | 135 | 5,324 |
| Dec | - | 94.49 | - | - | - | 283 | 1,130 |

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

| Strike Price | CALLS May | CALLS Jun | CALLS Jul | CALLS Sep | PUTS May | PUTS Jun | PUTS Jul | PUTS Sep |
|---|---|---|---|---|---|---|---|---|
| 9675 | 0.06 | 0.08 | 0.16 | 0.19 | 0.01 | 0.03 | 0.07 | 0.10 |
| 9700 | 0 | 0.01 | 0.04 | 0.07 | 0.20 | 0.21 | 0.20 | 0.23 |
| 9725 | 0 | 0 | 0.01 | 0.02 | 0.45 | 0.45 | 0.42 | 0.43 |

Est. vol. total, Calls 7788 Puts 9620. Previous day's open int., Calls 348541 Puts 375586

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Jun | CALLS Sep | CALLS Dec | PUTS Jun | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|
| 9825 | 0.02 | 0.07 | 0.08 | 0.19 | 0.29 | 0.55 |
| 9850 | 0.01 | 0.03 | 0.03 | 0.43 | 0.50 | 0.75 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5245 Puts 3071

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

| Strike Price | CALLS Jun | CALLS Sep | CALLS Dec | PUTS Jun | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|
| 9125 | 0.15 | 0.63 | 0.96 | 0.14 | 0.11 | 0.27 |
| 9150 | 0.06 | 0.44 | 0.80 | 0.30 | 0.17 | 0.36 |
| 9175 | 0.02 | 0.30 | 0.66 | 0.51 | 0.28 | 0.47 |

Est. vol. total, Calls 2750 Puts 1260. Previous day's open int., Calls 35203 Puts 21971

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.00 | Duncan Lawrie | 6.00 | Royal Bk of Scotland | 6.00 |
| Allied Trust Bank | 6.00 | Exeter Bank Limited | 7.00 | ●Singer & Friedlander | 6.00 |
| AIB Bank | 6.00 | Financial & Gen Bank | 7.00 | ●Smith & Williamson Secs. | 6.00 |
| ●Henry Ansbacher | 6.00 | ●Robert Fleming & Co | 6.00 | TSB | 6.00 |
| Bank of Baroda | 6.00 | Girobank | 6.00 | United Bank of Kuwait | 6.00 |
| Banco Bilbao Vizcaya | 6.00 | ●Guinness Mahon | 6.00 | Unity Trust Bank Plc | 6.00 |
| Bank of Cyprus | 6.00 | Habib Bank AG Zurich | 6.00 | Western Trust | 6.00 |
| Bank of Ireland | 6.00 | ●Hambros Bank | 6.00 | Whiteaway Laidlaw | 6.00 |
| Bank of India | 6.00 | Heritable & Gen Inv Bk. | 6.00 | Yorkshire Bank | 6.00 |
| Bank of Scotland | 6.00 | ●Hill Samuel | 6.00 | | |
| Barclays Bank | 6.00 | C. Hoare & Co | 6.00 | ● Members of London Investment Banking Association | |
| Brit Bk of Mid East | 6.00 | Hongkong & Shanghai | 6.00 | * In administration | |
| ●Brown Shipley & Co Ltd | 6.00 | Julian Hodge Bank | 6.00 | | |
| Citibank NA | 6.00 | ●Leopold Joseph & Sons | 6.00 | | |
| Clydesdale Bank | 6.00 | Lloyds Bank | 6.00 | | |
| The Co-operative Bank | 6.00 | Meghraj Bank Ltd | 6.00 | | |
| Coutts & Co | 6.00 | Midland Bank | 6.00 | | |
| Credit Lyonnais | 6.00 | * Mount Credit Corp | 6.25 | | |
| Cyprus Popular Bank | 6.00 | NatWestminster | 6.00 | | |
| | | ●Rea Brothers | 6.00 | | |

## LONDON SHARE SERVICE

### ALCOHOLIC BEVERAGES

[illegible]

### BANKS, MERCHANT

[illegible]

### BANKS, RETAIL

[illegible]

### BREWERIES, PUBS & REST

[illegible]

### BUILDING & CONSTRUCTION

[illegible]

### BUILDING MATS. & MERCHANTS

[illegible]

### CHEMICALS

[illegible]

### DISTRIBUTORS

[illegible]

### DIVERSIFIED INDUSTRIALS

[illegible]

### ELECTRICITY

[illegible]

### ELECTRONIC & ELECTRICAL EQPT

[illegible]

### ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

### ENGINEERING

[illegible]



### ENGINEERING - Cont.

[illegible]

### ENGINEERING, VEHICLES

[illegible]

### EXTRACTIVE INDUSTRIES

[illegible]

### EXTRACTIVE INDUSTRIES - Cont.

[illegible]

### FOOD PRODUCERS

[illegible]

### GAS DISTRIBUTION

[illegible]

### HEALTH CARE

[illegible]

### HEALTH CARE - Cont.

[illegible]

### HOUSEHOLD GOODS

[illegible]

### INSURANCE

[illegible]

### INVESTMENT TRUSTS

[illegible]

### INVESTMENT TRUSTS - Cont.

[illegible]

### INV TRUSTS SPLIT CAPITAL

[illegible]

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# LONDON SHARE SERVICE

## INV TRUSTS SPLIT CAPITAL - Cont.

## LEISURE & HOTELS - Cont.

## OTHER FINANCIAL - Cont.

## PROPERTY - Cont.

## SUPPORT SERVICES - Cont.

## AIM - Cont.

## LIFE ASSURANCE

## MEDIA

## PAPER, PACKAGING & PRINTING

## PHARMACEUTICALS

## RETAILERS, FOOD

## RETAILERS, GENERAL

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## AMERICANS

## CANADIANS

## TOBACCO

## TRANSPORT

## SOUTH AFRICANS

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## OIL EXPLORATION & PRODUCTION

## PHARMACEUTICALS - Cont.

## RETAILERS, GENERAL - Cont.

## PROPERTY

## WATER

## SUPPORT SERVICES

## AIM

## OIL, INTEGRATED

## OTHER FINANCIAL

## LEISURE & HOTELS



## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Index, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on [illegible] dividend ... ACT guidelines. z Dividend yield [illegible] ... 1995-96. R Forecast annualised ... s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ... official estimates for 1995. K Yield based on prospectus or other official estimates for 1995. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for ...

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

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Both Annual Reports and FT Company Focus are available from the above number.

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Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

**To order, call 0121 200 4678.**

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An international service is available for callers outside the UK, annual subscription £250 stg.

**Call 0171 873 4378 for more information on FT Cityline.**

**For readers phoning from outside UK, please dial +44 in place of the first 0.**

**The share prices printed on these pages are also available on the internet at www.FT.com.**

# FT MANAGED FUNDS SERVICE

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# OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

## BERMUDA (REGULATED)(**)

## GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Soracle Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

## GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Atlantis Fund Management (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

## IRELAND (SIB RECOGNISED)

## IRELAND (REGULATED)(**)

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

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Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Albany International Assurance Ltd - Contd.

Premier Life

Buchanan Capital Management Ltd

Global Asset Management

MBf Unit Trust Managers Limited

Regent Kleppin Capital Management Ltd

## OTHER OFFSHORE FUNDS

## OFFSHORE INSURANCES

MANAGED FUNDS NOTES

# LONDON STOCK EXCHANGE

MARKET REPORT

## Change of heart on Wall St induces good rally

By Steve Thompson,
UK Stock Market Editor

The astonishing overnight recovery by Wall Street, where the Dow Jones Industrial Average rallied from an earlier 78 point fall to end with a 53 point gain, transformed the mood of London's equity market yesterday.

And another buoyant start by Wall Street helped London, and other European markets, maintain their earlier strong performances.

Adding to the positive mood in London was a strong set of first quarter figures from Shell Transport, a handful of excellent market debut performances and good news from Scottish Power.

A sequence of five straight losses by the FT-SE 100 index was brought to a halt; Footsie ended the day a net 21.0 higher at 3,728.3.

The big gains across the leaders did not filter through to the second liners which made a lack-lustre showing and restricted the FT-SE Mid 250 index to a mere 1.0 gain at 4,505.4.

But senior dealers around the City's trading rooms were quick to point out the relatively low level of trading activity yesterday and said most of the big marketmakers had been caught on the wrong foot by the big swing on US markets on Wednesday evening.

The shift in the US was triggered by news that the Beige Book published by the US Federal Reserve included a reassuring assessment of inflationary pressures. This produced a massive swing in Treasury bonds, which rallied from showing early losses to close with gains of around 1¾ points. The fall in the yield on the long bond to below 7 per cent was interpeted as extremely bullish by UK traders.

The FT-SE 100 index kicked off in good shape, up 16 points, and quickly made further progress in the wake of the Shell figures, talk of a couple of programme trades, weighted on the buy side, and the usual bout of takeover stories.

On the other hand, traders noted that many of the most plausible takeover stocks, which have been behind the market's strong showing since the middle of last year, had underperformed.

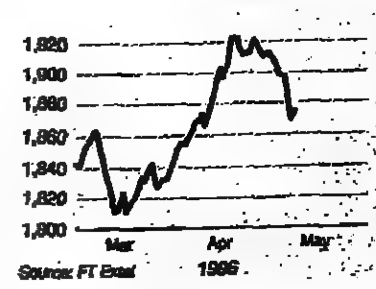
These included the likes of Cable & Wireless, Standard Chartered, Zeneca, Southern Electricity, Pearson and Royal Bank of Scotland. Thorn EMI was an early loser but subsequently rallied strongly to close with a useful gain.

Shell captured the limelight early in the session and remained the London market's shooting star for the rest of the session, with the rise in its shares alone worth 7.1 points on the FT-SE 100. Shell's profits performance left market forecasts miles behind and analysts were busy upgrading their forecasts and estimates as the market closed.

Another story gathering pace towards the close was the heavy buying of General Accident, the composite insurer, which many analysts said could be the next takeover target in a composite insurance sector being dubbed "Recs mark two."

Turnover in equities reached 718m shares at the 6pm calculation with non-FT-SE 100 index stocks contributing 54 per cent, lower than in recent sessions. Customer activity on Wednesday was worth £1.82bn.

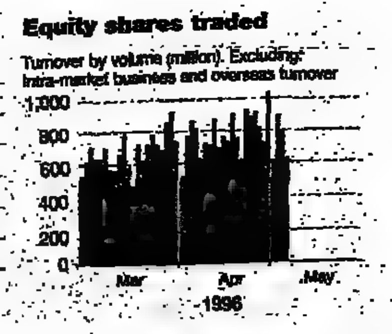
**FT-SE-A All-Share Index**



Source: FT Extel

**Equity shares traded**

Turnover by volume (million). Excluding: intra-market business and overseas turnover




**Indices and ratios**

| | | |
|---|---|---|
| FT-SE 100 | 3728.3 | +21.0 |
| FT-SE Mid 250 | 4505.4 | +1.0 |
| FT-SE-A 350 | 1892.2 | +8.4 |
| FT-SE-A All-Share | 1877.75 | +7.52 |
| FT-SE-A All-Share yield | 3.76 | 3.78 |
| FT Ordinary index | 2784.5 | +12.5 |
| FT-SE-A Non Fins p/e | 17.25 | 17.16 |
| FT-SE 100 Fut Jun | 3733.00 | +24.00 |
| 10 yr Gilt yield | 8.13 | 8.24 |
| Long gilt/equity yld ratio: | 2.24 | 2.25 |

**Best performing sectors**

1. Oil: Integrated ... +2.5
2. Mineral Extraction ... +1.8
3. Insurance ... +1.3
4. Gas Distribution ... +0.9
5. Water ... +0.9

**Worst performing sectors**

1. Extractive Industries ... −0.9
2. Tobacco ... −0.6
3. Engineering: Vehicles ... −0.4
4. Building & Construction ... −0.4
5. Textiles & Apparel ... −0.3

## Analysts go well with Shell

The best ever figures in a single quarter gave Shell Transport one of its best ever stock market performances.

Shares in the oil giant leapt 40 at one stage before closing 35½ up at 887p. That rise alone represented 30 per cent of the gain in the Footsie.

Investors were responding to a 24 per cent profit rise, as well as hopes of some form of return of value to shareholders.

Analysts upgraded forecasts. Mr Fergus MacLeod of NatWest Securities lifted his end-of-year estimate by £300m to £5.13bn. He also believes the company will use some of the £680m net cash to hike the dividend by 13 per cent.

Mr Paul Spedding of Kleinwort Benson, who had been at the more bearish end of the market – principally on oil price concerns – has raised his full year forecast by £700m to £5bn and believes the dividend will rise by 8 per cent.

Mr John Toalster of SGST said: "These results could signal a new era in which Shell pleases rather than displeases the market. The figures were 20 per cent above the range of forecasts and greater than can be explained by the current environment." SGST remain around the top of the range at £5.5bn.

ABN Amro Hoare Govett raised its forecast to £5.1bn, citing strong evidence of volume growth and cost reductions.

### Rolls roller coaster

Engineering leader Rolls-Royce was actively traded on a day of divided loyalties. A fierce two-way pull in the shares pushed turnover up to 10m.

Initially, the news that General Electric and Pratt and Whitney of the US are to collaborate on aero-engines provoked competition worries and the shares were marked sharply lower.

But sentiment swung about throughout the session. On the downside, dealers hoping for a link between Pratt and Rolls were disappointed. The positive talk centred on the prospect of greater price discipline within the industry. "The tendering field is effectively reduced from three to two", said one analyst. At the end of the day, Rolls' shares were a penny easier at 220p.

Siebe, a dull market lately, rebounded 17 to 850p following positive contract news from the Middle East. A negative annual meeting left Glynwed International 6 off at 351p.

### GenAcc speculation

Takeover rumours bubbled at General Accident. But analysts said the rise of 21 to 651p could have had a more technical rationale.

Mr David Hudson of Credit Lyonnais Laing pointed out that the insurer pays its 20p dividend on Monday. He suggested that as it goes ex the dividend so late, in comparison to the other financials, it might have slipped the collective minds of some income funds.

The shares also benefited from the bounce in US bonds and equities to which GenAcc is heavily geared.

Finally, the merger of Royal Insurance and Sun Alliance last week has reminded the market that the composites are ripe for consolidation.

Vodafone was the most active Footsie stock with a two-way pull hoisting turnover to 13m shares. News from the mobile phone equipment makers appeared to provoke most of the action.

Finnish giant Nokia claimed pricing pressure had pushed its cellular side into the red for the first quarter. And Telspec, the small UK specialist producer, announced weak first half trading. Vodafone ended a penny better at 248p. Telspec crashed more than 32 per cent, closing off 242 to 512p.

Leisure giant Granada Group rose 13 to 828p, with NatWest Securities said to have carried out a big trade in which it switched a block of Rank Organisation shares into Granada. Rank shares gave up 6 to 533p.

Dealers said around 3.7m of Granada stock were traded at 832p a share and a block of about 5.8m in Rank was dealt at 531p a share. Volume in Granada at the close stood at 6.2m, while that in Rank was considerably higher at 11m.

NatWest is a fan of Granada and, in a detailed note to investors this week said: "The trading environment, news flow, valuation and strategic options all point to further outperformance".

Associated British Foods jumped 10 to 386p following an SBC Warburg recommendation. Mr Mark Duffy at the securities house said: "We reiterated our buy stance on AB Foods partly due to recent underperformance in the shares and uncertainty about current year profits from Cadbury Schweppes and Tate & Lyle." Cadbury Schweppes closed 2½ lower at 490p.

However, sweeteners group Tate & Lyle clawed back most of Wednesday's losses. The stock hardened a penny to 463p in trade of 1.8m.

Sentiment was boosted by a recommendation from NatWest Securities which advised clients to "add" to holdings.

BSkyB fell 10 to 442p. The company held a conference call on Wednesday which disappointed some analysts. And it was announced yesterday that the finance director, Mr Richard Brooke, had sold his holding in the company.

ICI added 6 at 884p, after Shell's first-quarter results highlighted improving trading conditions in parts of the hard-hit chemicals industry.

BOC rose 17p to 907p in thin trading, as the market anticipated next Tuesday's results. Profit forecasts for the second quarter are £110m to £120m.

In the retail sector, Dixons was weak for the second day running, dropping 6 to 476p. Some analysts said the cause could be recent media claims that the chain had sold a small number of returned goods as new.

House of Fraser stirred 3 to 167p, with an announcement that Franklin Resources – a US mutual fund – and affiliates had 5.07 per cent in the company.

Nearly 2m shares were traded in Kingfisher, which nudged up 6 to 577p. One analyst said the group, which owns B&Q, could be a beneficiary of the shake-up expected in the DIY market.

Analysts said optimism about VAT refunds was trickling down to smaller retailers, with Cantors, the furnishing group, jumping 17 to 155p.

In the drinks sector, Grand Metropolitan, whose joint venture, Inntrepreneur Estates sold a third of its pubs for £262m, rose 6½ to 433p. Traders noted a few buyers in the market, and some analysts still consider the stock to be cheap.

Among the breweries, pubs and restaurants groups Greenalls rose 6½ to 617½p, with SBC Warburg recommending profit taking. J. D. Wetherspoon dropped 5 to 950p. James Capel warned of some risks for small operators of pubs including higher rents.

Vanguard Medica, a drug development company, made a strong market debut, rising at one point to a premium of more than 40 per cent above the issue price. The shares, placed with institutional investors at 450p a share by Kleinwort Benson, hit 640p before closing at 628p.

**FINANCIAL TIMES EQUITY INDICES**

| | May 9 | May 8 | May 7 | May 3 | May 2 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2784.5 | 2772.0 | 2796.4 | 2803.5 | 2809.7 | 2514.1 | 2885.2 | 2696.7 |
| Ord. div. yield | 4.00 | 4.02 | 3.98 | 3.97 | 3.95 | 4.20 | 4.08 | 3.76 |
| P/E ratio net | 16.35 | 16.26 | 16.41 | 16.47 | 16.53 | 16.70 | 17.26 | 16.96 |
| P/E ratio nil | 16.12 | 16.08 | 16.18 | 16.24 | 16.31 | 16.50 | 17.03 | 15.76 |

Ordinary Share index since compilation: high 2885.2 [illegible]; low 49.4 [illegible]. Base Date: 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2787.8 | 2786.2 | 2787.9 | 2791.4 | 2789.0 | 2787.5 | 2787.4 | 2784.0 | 2783.5 | 2793.1 | 2782.4 |

| | May 9 | May 8 | May 7 | May 3 | May 2 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 31,222 | 32,021 | 33,944 | 35,287 | 32,540 | 29,597 |
| Equity turnover (£m)† | – | 1624.0 | 1657.8 | 2503.8 | 2439.7 | 1902.2 |
| Equity bargains† | – | 36,110 | 38,692 | 42,218 | 37,136 | 43,291 |
| Shares traded (m)† | – | 676.5 | 618.0 | 794.4 | 896.0 | 1005.1 |

†Excluding intra-market business and overseas turnover.

| | May 9 | May 8 | May 7 | May 3 | May 2 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| FT-SE AIM | 1065.10 | 1072.60 | 1075.00 | 1067.90 | 1062.30 | – | 1075.90 | 965.68 |

*For 1996.

**London market data**

| Rises and falls* | | 52 Week highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 538 | Total Highs | 93 | Total contracts | 46,868 |
| Total Falls | 650 | Total Lows | 17 | Calls | 22,577 |
| Same | 1,681 | | | Puts | 24,276 |

May 9 *Data based on Equity shares listed on the London Share Service.

**FUTURES AND OPTIONS**

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 3729.0 | 3733.0 | +24.0 | 3742.0 | 3717.0 | 12792 | 58873 |
| Sep | 3742.5 | 3748.5 | +24.5 | 3742.5 | 3742.5 | 50 | 5418 |
| Dec | - | 3778.0 | +24.0 | - | - | 0 | 237 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | - | 4520.0 | -5.0 | - | - | 0 | 4141 |

■ FT-SE 100 INDEX OPTION (LIFFE) (*3728) £10 per full index point

| | 3650 C | 3650 P | 3600 C | 3600 P | 3650 C | 3650 P | 3700 C | 3700 P | 3750 C | 3750 P | 3800 C | 3800 P | 3850 C | 3850 P | 3900 C | 3900 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| May | 180½ | 1 | 132 | 2½ | 88 | 6 | 45½ | 15 | 16½ | 37 | 3½ | 78 | 1 | 124 | 1 | 174 |
| Jun | 186 | 13 | 152½ | 19 | 114½ | 30½ | 81 | 47½ | 52½ | 70½ | 30 | 99½ | 16 | 136 | 7 | 182½ |
| Jul | 213½ | 24½ | 174 | 34 | 135½ | 48½ | 105 | 65½ | 76½ | 88 | 54 | 116½ | 36½ | 150½ | 22½ | 189 |
| Aug | 228½ | 35½ | 191½ | 50 | 156 | 63½ | 124½ | 82 | 95½ | 103½ | 72 | 131 | 51½ | 163 | 35½ | 198 |
| Dec† | | | 259 | 92 | | | 187 | 128½ | | | 147½ | 178½ | | | 103½ | 235½ |

Calls 4,194 Puts 12,007

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 3575 C | 3575 P | 3625 C | 3625 P | 3675 C | 3675 P | 3725 C | 3725 P | 3775 C | 3775 P | 3825 C | 3825 P | 3875 C | 3875 P | 3925 C | 3925 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| May | 158½ | 1 | 108 | 3½ | 65½ | 11 | 30½ | 25½ | 9½ | 54 | 1½ | 98½ | 1 | 145 | 1 | 195 |
| Jun | 175½ | 10½ | 134 | 27 | 95 | 36 | 63½ | 55½ | 40 | 81½ | 23 | 114½ | 12½ | 153½ | 6½ | 197 |
| Jul | 190½ | 23½ | 163 | 38½ | 119 | 54 | 88½ | 73½ | 66 | 98½ | 45½ | 128½ | 30½ | 162½ | 19½ | 201½ |
| Sep | | | 190½ | 69½ | | | 129 | 106 | | | 81 | 156 | | | 49½ | 222½ |
| Dec† | | | 245 | 98½ | | | 186 | 137 | | | 139½ | 183½ | | | 96½ | 238 |

Calls 6,413 Puts 7,851 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

**LONDON RECENT ISSUES: EQUITIES**

| Issue price p | Amt paid up | Mkt. cap (£m) | 1996 High | 1996 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | F.P. | 10.8 | 95 | 94 | AIM Distbn | 95 | | b4.5 | - | 8.0 | - |
| - | F.P. | 22.1 | 136 | 120 | †Active Imaging | 121 | +1 | - | - | - | - |
| - | F.P. | - | 170 | 125 | Biocompatible Unit | 170 | +40 | - | - | - | - |
| 105 | F.P. | 3.63 | 124 | 118 | †CA Coutts | [illegible] | | | | | |
| - | F.P. | 13.2 | 1050 | 650 | Cairngorm Units | [illegible] | | | | | |
| - | F.P. | 0.66 | 260 | 25 | Cairngorm Wnts | [illegible] | | | | | |
| 100 | F.P. | 9.50 | 15 | 66 | Capital Co's VCT | [illegible] | | | | | |
| - | F.P. | 7.84 | 38 | 39 | †FNR | [illegible] | | | | | |
| 180 | F.P. | 52.9 | 158 | 155 | †La Senza | [illegible] | | | | | |
| - | F.P. | 48.8 | 250 | 223 | MSB Int'l | [illegible] | | | | | |
| - | F.P. | 105.5 | 274 | 220 | Maiden Group | [illegible] | | | | | |
| 278 | F.P. | 464.3 | 332 | 278 | Mill & Copthorne | [illegible] | | | | | |
| 175 | F.P. | 56.0 | 184 | 173 | Phytopharm | [illegible] | | | | | |
| - | F.P. | 6.56 | 22 | 16½ | Perp Inc Wnts | [illegible] | | | | | |
| - | F.P. | 33.1 | 48 | 43 | †Radlac | [illegible] | | | | | |
| - | F.P. | - | 98 | 98 | Singer & Fdr AIM | [illegible] | | | | | |
| - | F.P. | - | 11 | 9 | Singer & F Wts | [illegible] | | | | | |
| - | F.P. | 7.84 | 4 | 3½ | †Sira Bus Serv | [illegible] | | | | | |
| - | F.P. | 0.29 | 1½ | 1½ | †Sira Bus Svs Wts | [illegible] | | | | | |
| - | F.P. | 8.41 | 95 | 75 | †Stentor | [illegible] | | | | | |
| - | F.P. | 1.82 | 26½ | 10½ | Templeton C&E | [illegible] | | | | | |
| - | F.P. | 3.16 | 56 | 43 | †Tom Hosking | [illegible] | | | | | |
| - | F.P. | 36.8 | 186 | 180 | †Tradepoint Finl | [illegible] | | | | | |
| 450 | F.P. | 156.6 | 668 | 618 | Vanguard Medica | [illegible] | | | | | |
| 45 | F.P. | 13.4 | 57 | 52 | †Waterfall | [illegible] | | | | | |

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

**FT GOLD MINES INDEX**

| | May 9 | % chg on day | May 7 | Year ago | Gross div yield % | P/E ratio | 52 week High | 52 week Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (31) | 2361.22 | 0.6 | 2362.69 | 1930.24 | [illegible] | [illegible] | [illegible] | [illegible] |
| ■ Regional Indices | | | | | | | | |
| Africa (13) | 3137.32 | +0.6 | 3110.01 | 2872.51 | [illegible] | [illegible] | [illegible] | [illegible] |
| Australasia (9) | 2844.14 | +1.4 | 2804.84 | 2412.78 | [illegible] | [illegible] | [illegible] | [illegible] |
| North America (12) | 2103.90 | −0.7 | 2118.17 | 1647.48 | [illegible] | [illegible] | [illegible] | [illegible] |

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**FT-SE Actuaries Share Indices — The UK Series**

| | May 9 | Day's chge% | May 8 | May 7 | May 3 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3728.3 | +0.6 | 3707.3 | 3723.0 | 3751.8 | 3317.9 | 3.89 | 2.13 | 14.71 | 69.23 | 1517.97 |
| FT-SE Mid 250 | 4505.4 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE Mid 250 ex Inv Trusts | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE-A 350 | 1892.2 | +0.4 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE-A 350 Higher Yield | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE-A 350 Lower Yield | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE SmallCap | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE SmallCap ex Inv Trusts | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| FT-SE-A ALL-SHARE | 1877.75 | +0.4 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. "The FT-SE Actuaries Share Indices are calculated by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FT-SE International Limited 1996. All Rights reserved. The FT-SE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FT-SE International Limited in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and the Financial Times Limited and are used by FT-SE International Limited under licence. Auditor: The WM Company." † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. NAME CHANGE: Sherwood Computer Services now Sherwood International.

**TRADING VOLUME**

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| 3i† | 97 | 459 | +3 |
| ASDA Group† | 3,600 | 113 | |
| Abbey National† | 3,900 | 549 | +9 |
| Albert Fisher | 2,300 | 61½ | −½ |
| [illegible] | [illegible] | [illegible] | [illegible] |

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: FT Extel.

# WORLD STOCK MARKETS

## EUROPE

[illegible]



## PACIFIC

[illegible]

### SOUTH KOREA (May 9 / Won)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| HyEngC | 39,000 | -100 | 41,000 | 34,700 | 0.1 | ... |
| KorEP | 31,100 | -600 | 33,500 | 28,000 | 1.6 | — |
| KFstBk | 7,500 | -70 | 8,300 | 6,250 | ... | — |
| KMTele | 722,000 | -13,000 | 785,000 | 593,000 | 0.2 | — |
| LG Ele | 24,500 | -600 | 27,800 | 18,900 | 1.2 | — |
| PohgSt | 57,000 | -700 | 64,500 | 48,700 | 1.7 | — |
| SamElc | 92,600 | -5,900 | 111,000 | 82,600 | 1.1 | — |
| SamgHI | 16,300 | -200 | 19,383 | 14,415 | 3.1 | — |
| Yukong | 27,200 | -800 | 29,800 | 22,600 | 2.2 | ... |

### TAIWAN (May 9 / TW $)

| | | +/- | High | Low | Yld | P/E |
|---|---|---|---|---|---|---|
| CL Ins | 172 | ... | 182 | 112 | 0.9 | ... |
| CH Bnk | 148 | -1.50 | 163 | 93 | 0.7 | ... |
| ChiDev | 87 | -.50 | 97.50 | 73 | ... | ... |
| ChiStl | 25.40 | +.20 | 27.80 | 19 | 5.8 | ... |
| FrstBk | 148 | -1.50 | 165 | 94 | 0.7 | ... |
| NYPstc | 43.50 | -.30 | 48.50 | 38 | 2.6 | ... |
| SHK LI | 108xd | +.50 | 120 | 57 | 1.4 | ... |
| TaiScd | 63 | -2 | 67 | 60.50 | ... | ... |

### THAILAND (May 9 / Baht)

[illegible]

### AUSTRALIA (May 9 / Aust $)

[illegible]

## AFRICA

### SOUTH AFRICA (May 9 / Rand)

[illegible]

## NORTH AMERICA

### CANADA

### TORONTO (May 9 / Can $) 3:30 pm

[illegible]

### MONTREAL (May 9 / Can $) 3:30 pm

[illegible]

## INDICES

[illegible]

## US INDICES

| Dow Jones | May 8 | May 7 | May 6 | 1996 High | 1996 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 5474.06 | 5420.95 | 5464.31 | 5689.74 (3/4) | 5032.94 (10/1) | 5689.74 (3/4/96) | 41.22 (2/7/32) |
| Home Bonds | 101.19 | 101.45 | 101.39 | 108.09 (14/2) | 101.19 (8/5) | 108.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 2159.90 | 2157.47 | 2171.60 | 2221.06 (18/4) | 1882.71 (18/1) | 2221.06 (18/4/96) | 12.32 (8/7/32) |
| Utilities | 208.47 | 205.42 | 205.64 | 234.00 (12/2) | 205.42 (7/5) | 258.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 5486.34 (5486.34) Low 5327.74 (5382.05) (Theoretical) Day's high 5475.61 (5487.20) Low 5342.20 (5414.45) (Actual)

| Standard and Poors | | | | | | | |
|---|---|---|---|---|---|---|---|
| Composite‡ | 644.77 | 638.26 | 640.81 | 661.45 (12/2) | 598.48 (10/1) | 661.45 (12/2/96) | 4.40 (1/6/32) |
| Industrials¥ | 765.71 | 760.17 | 764.14 | 777.84 (1/5) | 702.07 (15/7) | 777.84 (1/5/96) | 3.62 (21/6/32) |
| Financial | 64.21 | 62.83 | 62.71 | 68.56 (5/3) | 58.67 (10/1) | 68.56 (5/3/96) | 8.64 (1/10/74) |
| NYSE Comp. | 345.98 | 343.33 | 344.74 | 351.92 (4/4) | 321.41 (10/1) | 351.92 (4/4/96) | 4.46 (25/4/42) |
| Amex Mkt Val | 584.64 | 587.70 | 589.10 | 593.78 (1/5) | 529.05 (18/1) | 593.78 (1/5/96) | 29.31 (9/12/72) |
| NASDAQ Cmp | 1183.43 | 1182.68 | 1186.31 | 1199.66 (1/5) | 988.57 (15/1) | 1199.66 (1/5/96) | 54.87 (31/10/72) |

### RATIOS

| | May 3 | Apr 26 | Apr 19 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.21 | 2.17 | 2.17 | 2.52 |
| | May 1 | Apr 24 | Apr 17 | Year ago |
| S & P Ind. Div. yield | 1.86 | 1.87 | 1.90 | 2.22 |
| S & P Ind. P/E ratio | 21.60 | 21.43 | 21.13 | 18.70 |

### NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Assoc Fst | 25,080,800 | 35 | ...... |
| Zenith | 8,783,000 | 18¾ | +¼ |
| Telefonos | 6,911,100 | 34 | +¾ |
| Fed Natl | 6,635,000 | 29¾ | +1½ |
| Unisys | 5,438,800 | 7¼ | ...... |
| Micron Tech | 5,211,900 | 35 | ...... |
| Bay Networks | 4,650,500 | 36¾ | +2⅜ |
| Merck | 4,339,200 | 59¾ | +1⅝ |
| Amer T & T | 4,016,700 | 60 | +⅞ |
| Wal Mart | 3,811,800 | 24¼ | +¾ |

### TRADING ACTIVITY

| Volume (million) | May 8 | May 7 | May 6 |
|---|---|---|---|
| New York SE | 497.345 | 409.214 | 375.656 |
| Amex | 28.829 | 29.187 | 29.614 |
| NASDAQ | 773.486 | 625.109 | 692.767 |
| NYSE | | | |
| Issues Traded | 3,132 | 3,136 | 3,116 |
| Rises | 1,204 | 999 | 1,035 |
| Falls | 1,103 | 1,327 | 1,276 |
| Unchanged | 825 | 810 | 805 |
| New Highs | 34 | 44 | 60 |
| New Lows | 27 | 20 | 21 |

### S&P 500

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 647.60 | 649.00 | +1.50 | 650.35 | 645.75 | 115,835 | 167,732 |
| Sep | 651.50 | 654.55 | +1.65 | 655.70 | 651.50 | 2,263 | 11,090 |

### Nikkei 225

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 21720.0 | 21300.0 | -360.0 | 21740.0 | 21300.0 | 25,799 | 270,128 |
| Sep | 21800.0 | 21400.0 | -350.0 | 21800.0 | 21400.0 | 309 | 17,231 |

### INDEX FUTURES

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1996. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.



### TOKYO - MOST ACTIVE STOCKS: Thursday, May 9, 1996

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Sakai Heavy Ind | 10.1m | 1610 | +20 | Nissan Motor | 4.7m | 864 | +1 |
| Nagasakiya | 8.2m | 743 | +58 | NKK Corp | 4.3m | 315 | -9 |
| Nippon Stl Corp | 6.7m | 370 | -4 | Sumitomo Mtl Ind | 4.3m | 325 | -6 |
| Janome Sewing | 4.9m | 508 | -15 | Kanto Spl Steel | 4.0m | 910 | +29 |
| Hanwa | 4.9m | 419 | -11 | Kawasaki Steel | 3.9m | 383 | -2 |

*4 pm close May 9*

# NEW YORK STOCK EXCHANGE PRICES

| 1996 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 22⅛ | 19⅛ | AAR | 0.48 | 2.3 | 22 | 382 | 21⅛ | 20⅞ | 20⅞ | -⅛ |
| 46⅛ | 35⅜ | AMP x | 1.00 | 2.4 | 20 | 6072 | 43 | 41⅞ | 41⅞ | -1⅜ |
| 94 | 66 | AMR | | | 22 | 4068 | 89 | 87⅞ | 88⅝ | +⅞ |
| 50½ | 37⅜ | ASA | 1.80 | 3.9 | 30 | 557 | 46¼ | 45¾ | 46¼ | +½ |
| 44¾ | 38⅞ | AbbtL | 0.96 | 2.4 | 17 | 13359 | 39⅞ | 39½ | 39¾ | +¼ |
| 17¼ | 13⅜ | AbitibiPr | 0.40 | 2.8 | 7 | 920 | 14⅛ | 14 | 14⅛ | |
| 35⅝ | 27 | ABM Ind | 0.70 | 2.0 | 18 | 39 | u35⅝ | 35⅜ | 35½ | |
| 16⅛ | 13⅞ | Acptncela | | | 57 | 146 | m16⅛ | 15⅞ | 16 | +⅛ |
| 50⅝ | 37¼ | ACE Ltd | 0.58 | 1.3 | 10 | 795 | 43¼ | 42⅛ | 43 | +⅞ |
| 9⅞ | 9⅛ | ACM Gvt In x | 0.90 | 9.2 | 8 | 84 | 9¾ | 9⅝ | 9¾ | +⅛ |
| 7⅞ | 6¾ | ACM GvOpp x | 0.57 | 8.3 | | 76 | 7 | 6⅞ | 6⅞ | |
| 7¼ | 6¼ | ACM Gvt Sp x | 0.68 | 10.4 | | 220 | 6½ | 6⅝ | 6⅝ | |
| 9⅛ | 8¼ | ACM Gvt Sa x | 0.90 | 10.6 | | 307 | 8½ | 8⅝ | 8½ | |
| 9½ | 8¾ | ACM Man x | 0.90 | 10.3 | | 123 | 9 | d8¾ | 8¾ | -¼ |
| 30¾ | 16½ | AcmeClv x | 0.52 | 1.7 | 7 | 282 | 30⅛ | 30 | 30 | |
| 13⅞ | 6⅛ | Acme Elect | | | 53 | 96 | 9¾ | 9½ | 9⅝ | +¼ |
| 32½ | 27¾ | Acordia | 0.72 | 2.2 | 19 | 4 | 32¼ | 32¼ | 32¼ | +⅛ |
| 21 | 12 | Acuson | | | 91 | 1367 | 20⅜ | 19¾ | 20⅛ | +¼ |
| 19½ | 18⅜ | Adams Expr | 1.66 | 8.9 | 0 | 446 | 18¾ | 18⅝ | 18¾ | +⅛ |
| 21¼ | 18⅛ | AdvMic | | | 7 | 6384 | 18⅞ | 18½ | 18¾ | -¼ |
| 11⅛ | 8½ | Advest Grp | 0.16 | 1.5 | 7 | 15 | 10⅜ | 10¼ | 10⅜ | +⅛ |
| 26⅛ | 9⅛ | Advo Inc | 0.10 | 0.9 | 84 | 178 | 11⅝ | 11½ | 11⅝ | +⅛ |
| 50⅜ | 41⅛ | Aegon | 1.23 | 2.5 | 15 | 32 | 50¼ | 49⅞ | 50 | +⅜ |
| 5½ | 3½ | Aerflx | | | 9 | 439 | u5½ | 5¼ | 5¼ | -¼ |
| 78¾ | 66⅜ | Aetnal. | 2.76 | 4.1 | 17 | 5024 | 68¼ | 67⅞ | 67¾ | -¼ |
| [illegible] | [illegible] | [illegible] | 0.40 | 1.3 | 12 | 736 | 30⅛ | 30 | 30¼ | +⅛ |
| 20⅜ | 17½ | AGL Res | 1.08 | 5.7 | 16 | 418 | 19½ | 19⅛ | 19½ | +⅜ |
| 26¾ | 21¼ | Ahmanson | 0.88 | 3.8 | 8 | 6808 | 23⅝ | 22¾ | 23¼ | +⅛ |
| 59¼ | 50⅜ | AirPrC | 1.04 | 1.8 | 15 | 1843 | 57⅞ | 56¾ | 56⅞ | -⅛ |
| 26⅜ | 23½ | Airbne Frt x | 0.30 | 1.2 | 23 | 581 | 25¼ | 25 | 25⅛ | -⅜ |
| 22½ | 15½ | Airgas Inc | | | 34 | 1125 | 20⅜ | 20¼ | 20¼ | +⅛ |
| 16⅞ | 15 | Airlease | 2.00 | 12.6 | 10 | 90 | 15⅞ | 15⅝ | 15⅞ | +⅛ |
| 33⅝ | 25⅝ | AirTch | | | 97 | 7197 | 29⅝ | 29 | 29⅜ | +⅛ |
| 30¾ | 15⅞ | Alaska Air | 0.20 | 0.8 | 13 | 1676 | 26 | 25 | 25⅞ | +⅞ |
| 22¾ | 17¼ | Albany Int | 0.40 | 1.8 | 16 | 682 | u22⅞ | 22 | 22¾ | +⅛ |

[illegible]



Continued on next page

3:30 pm May 9

# NYSE PRICES

Continued from previous page

# NASDAQ NATIONAL MARKET

3:30 pm May 9

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| ACC Corp | 0.12 | 77 | 540 | 38½ | 38 | 38 1/16 | +1/16 |
| Acclaim E | | 11 | 478 | 10⅜ | 10⅛ | 10¼ | -1/16 |
| Acme Mtls | | 8 | 407 | 17¼ | 17 | 17 | -¼ |
| Acxiom Cp | | 38 | 1763 | 27¼ | 26½ | 27 | -¼ |
| Adaptech | | 29 | 8993 | 56⅝ | 55⅛ | 56½ | +1¼ |
| ADC Tele | | 44 | 8550 | u45½ | 43¾ | 44⅞ | +2⅜ |
| Addington | | 12 | 183 | 14¼ | 13¼ | 13¼ | +⅛ |
| AdiaADR | 0.16 | 12 | 81 | 28⅜ | 27⅞ | 27⅞ | +1⅜ |
| Adobe Sys | 0.20 | 32 | 9412 | 40⅞ | 39¼ | 39½ | -⅝ |
| Adv Logic | | 11 | 118 | 7⅝ | 7⅜ | 7½ | |
| Adv Polym | | 15 | 1552 | 10¼ | 9⅝ | 10 | +¼ |
| AdvTchLab | | 29 | 2299 | 33 | 31⅛ | 32⅜ | +1/2 |
| Advanta | 0.36 | 16 | 1605 | 56 | 54¾ | 55⅜ | +⅜ |
| AgnicoEa | 0.10 | 55 | 147 | u20¼ | 20 | 20⅛ | +⅛ |
| AirExpr | 0.20 | 17 | 901 | 29 | 28 | 28 | -¾ |
| Akzo ADR | 1.79 | 10 | 458 | 58⅜ | 58 | 58 | -¼ |
| AlexBld | 0.86 | 20 | 108 | 24¾ | 24½ | 24¾ | +¼ |
| Allen Org | 0.52 | 12 | 2 | 36½ | 36¼ | 36½ | |
| Alkan Ph | | 14 | 2962 | 18¼ | 17⅜ | 18 | +½ |
| AlldCapll | 1.32 | 15 | 97 | 17¾ | 17⅛ | 17½ | ¼ |
| Alld Cap | 1.08 | 11 | 861 | 13½ | d13 | 13¼ | |
| Aloette C | 0.32 | 22 | 105 | 4¼ | 4 | 4⅛ | |
| Alta Gold | 0.06 | 26 | 1207 | 3⅞ | 3⅝ | 3¾ | -⅛ |
| Altera Co | | 23 | 53633 | 48⅜ | 45⅝ | 45¾ | -3⅝ |
| Am Banker | 0.76 | 10 | 649 | 39⅞ | 39 | 39⅝ | +⅝ |
| AmCWay | 0.16 | 2 | 31 | 8¾ | 8⅛ | 8½ | +¼ |
| Am Manag | | 37 | 4810 | 29⅛ | 27½ | 29⅛ | +⅝ |
| Am Softwa | 0.32 | 500 | 461 | 5⅛ | 5 | 5 | -⅛ |
| Am Frways | | 64 | 1961 | 16⅛ | 15⅜ | 15½ | -½ |
| AmGrtA | 0.64 | 17 | 1913 | 26⅝ | 26¼ | 26⅜ | -½ |
| AmtnaP | | 2 | 3073 | 13/16 | d 7/8 | 0.52 | +.05 |
| AmMdn | 2.52 | 8 | 98 | 66 | 65⅞ | 66 | +¼ |
| AmPwrConv | | 16 | 4109 | 12 | 11½ | 11⅞ | +1/16 |
| Am Trav | | 12 | 276 | 20¼ | 19⅞ | 20 | |
| Amgen Inc | | 27 | 16297 | 56⅜ | 55⅛ | 55 13/16 | -7/16 |
| Amtech Cp | 0.08 | 36 | 1351 | 9⅛ | 8½ | 8¾ | -½ |
| Analogic | 0.20 | 27 | 345 | u21 | 20⅝ | 20⅝ | -⅜ |
| Analysts | 0.60 | 24 | 212 | 40⅞ | 40 | 40½ | +½ |
| AndogelAm | 1.00 | 9 | 104 | 10⅜ | 10⅛ | 10⅜ | +¼ |
| Andrew Cp | | 37 | 11658 | u49⅛ | 47 | 49 | +1½ |
| Andros An | | 61 | 3 | 17¾ | 17¾ | 17¾ | |
| Apogee En | x0.34 | 18 | 1888 | 26½ | 25¾ | 26⅛ | -⅛ |
| APP Bio | | 39 | 1674 | 9¼ | 8½ | 9⅛ | +½ |
| Appld Mat | | 12 | 23750 | 39⅞ | 38 | 38⅝ | -⅞ |
| AppleC | 0.48 | 4 | 8170 | 26½ | 25¾ | 26⅛ | -⅝ |
| Applebees | 0.05 | 27 | 3006 | 29½ | 28¾ | 28⅞ | -⅜ |
| Arbur Dr | 0.28 | 19 | 84 | 19¾ | 19½ | 19½ | -⅛ |
| Arctco | 0.24 | 12 | 232 | 10¼ | 9⅞ | 10¼ | +¼ |
| Argonaut x | 1.48 | 10 | 88 | 31¼ | 31 | 31 | -¼ |
| ArkBstDel x | 0.04 | 2 | 727 | 7⅞ | 7½ | 7⅝ | -⅜ |
| Armor Al | 0.64 | 42 | 240 | 15 | d14¼ | 14½ | |
| Arnold In | 0.44 | 15 | 60 | 15¾ | 15½ | 15¾ | +¼ |
| Artisoft | | 5 | 257 | 9⅛ | 8¾ | 8 13/16 | -⅛ |
| AspectTel | | 45 | 2038 | 55½ | 53¼ | 56¼ | +1½ |
| AST Rsrch | | 0 | 7961 | 7½ | 6½ | 7 | +½ |
| Atkinson | | 29 | 38 | 11⅞ | 11⅛ | 11⅛ | |

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Dep Gty | 1.32 | 11 | 448 | u48¼ | 47¾ | 47¾ | -½ |
| Dexcon | 0.20 | 15 | 98 | 9⅜ | 9¼ | 9⅜ | +1/16 |
| DH Tech | | 18 | 10 | 25¾ | 24⅝ | 24⅝ | -1⅛ |
| Dep Intl | | 19 | 537 | 28½ | 27½ | 28 | +¼ |
| Dig Micro | | 29 | 1806 | 12¼ | 11⅝ | 11¾ | -½ |
| Dig Sound | | 4 | 491 | 1⅝ | 1½ | 1⅝ | -1/16 |
| Dig Syst | | 47 | 576 | 19 | 18½ | 18⅝ | |
| Dionex Cp | | 22 | 218 | 37¼ | 36 | 37¼ | |
| Dose Yrs | 0.20 | 1 | 50 | 5⅞ | 5 | 5¼ | -⅛ |
| DNA Plant | 2.25 | 1 | 1550 | ¾ | 11/32 | 11/16 | |
| Dollar Co | 0.20 | 25 | 56 | 25⅞ | 25¼ | 25⅞ | +½ |
| Dorch Hsr | 0.68 | 16 | 457 | 14⅝ | 13½ | 13½ | -1½ |
| DrecoEngy | | 18 | 16 | 27½ | 26¾ | 27¼ | -½ |
| DressBarn | | 14 | 476 | 11¼ | 10⅞ | 11⅛ | +½ |
| Drey GD | 0.24 | 138 | 13 | 34½ | 33½ | 34 | +¼ |
| Drug Empo | 0.08 | 22 | 28 | 4 1/16 | 3 13/16 | 4 | |
| DS Bancor | x0.24 | 11 | 34 | 29½ | 28¾ | 29 | +¼ |
| Duriron x | 0.52 | 20 | 928 | 27¼ | 26¼ | 27¼ | +1 |
| Dynatech | | 36 | 347 | 27¼ | 26½ | 26¾ | |

- E -

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Eagle Fd | | 2 | 459 | 4 | 3⅝ | 3¾ | -⅛ |
| EastEnvmt | | 16 | 7152 | [illegible] | 3 13/16 | 4⅛ | +⅞ |
| ECI Tel | 0.05 | 19 | 1432 | 24⅝ | 24 | 24 | -½ |
| Eggbead | | 102 | 1916 | 11¾ | 11 | 11¼ | -⅜ |
| ElectSci | | 13 | 1017 | 23½ | 21¼ | 21¼ | -1 |
| ElectrbB | 1.49 | 4 | 39 | 48½ | 48¼ | 48½ | +¼ |
| ElectArts | | 36 | 5016 | 27⅝ | 26⅜ | 27⅛ | +⅝ |
| Emcon Ass | | 24 | 31 | 4⅞ | 4½ | 4⅞ | |
| Emulex | | 12 | 232 | 17¼ | 16¼ | 16¾ | -⅛ |
| EncoreComp | | 1 | 1549 | 3 3/16 | 3 1/16 | 3⅛ | +⅛ |
| EngyVntrs | | 33 | 3 | 29⅞ | 29⅜ | 29⅝ | +⅛ |
| EnvirSvcs | | 13 | 10 | 1 7/16 | 1 7/16 | 1 7/16 | |
| Enzon Inc | | 29 | 446 | 4 | 3⅝ | 3 13/16 | -1/16 |
| EquityOil | 0.10 | 48 | 223 | 5⅛ | 4¾ | 4⅞ | -¼ |
| EricsnB x | 0.22 | 22 | 15328 | 21⅝ | 20½ | 21⅜ | +⅜ |
| Etnel | | [illegible] | [illegible] | 10⅝ | 10 | 10½ | +½ |
| Evans Sth | | 10 | 865 | 25 | 23¾ | 24½ | +¼ |

# AMEX PRICES

3:30 pm May 9

AMERICA

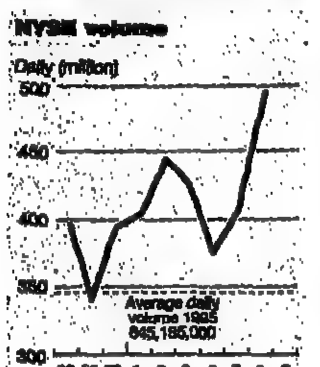
# Dow higher despite bond price decline

## Wall Street

US share prices posted modest gains in midsession trading yesterday as long-term interest rates hovered near 7 per cent, *writes Lisa Bransten in New York.*

At 1pm, the Dow Jones Industrial Average was 13.01 higher at 5,487.07, the Standard & Poor's 500 rose 0.74 at 645.52 and the American Stock Exchange composite gained 1.81 at 586.45. Volume on the New York Stock Exchange came to 234m shares.

Bonds gave back some of the sharp gains made on Wednesday, but the yield on the




benchmark 30-year Treasury held below 7 per cent in morning trading in spite of a drop in the number of people filing first-time claims for unemployment benefits last week.

Investors in both markets were nervously awaiting data on producer prices due out today.

Rising biotechnology issues helped the Nasdaq composite to add 3.54 at 1,187.10 in spite of modest losses among computer-related technology shares.

The Morgan Stanley technology index slipped 0.7 per cent, while its index of biotech shares rose 1.1 per cent.

Rising biotech issues included Biogen, up \$2 at \$64¾ and Genzyme, \$1¼ stronger at \$57.

In the computer-related high tech sector, America Online tacked a loss of \$4¾ on to the \$7¼ it sank on Wednesday after it announced a new pricing strategy that, some investors worried, would be a drain on profits. That brought the price to \$58.

Computer manufacturers were mixed to lower. Dell Computer shed \$¾ or \$44¼ and Gateway 2000 lost \$⅜ at \$35¼, while Hewlett Packard added \$2 at \$105¾ and IBM rose \$¼ at \$106⅝.

Newly issued B shares in Berkshire Hathaway – which are equal to one thirtieth of an A share – climbed \$10 from the offering price of \$1,110 in early trading. The A shares were unchanged at \$33,400.

Sears, Roebuck shares added \$1¼ at \$52 after the retailer reported an 11 per cent increase in April same-store sales, well ahead of the 5 to 7 per cent increase that analysts had expected.

AMP shares fell \$1⅝ at \$41⅝ on reports that the maker of electrical connectors had asked its US staff to take a week without pay in June due to a slowdown in demand for its products.

## Canada

Toronto was mixed with a softer bias at midsession as investors looked for an underlying trend after Wednesday's slight reversal.

The TSE-300 composite index was 6.01 weaker at 5,154.80 in volume of 39.9m shares.

International Hospitality sank 1 cent to 3.5 cents after the food retailer said that it intended to file a proposal under the bankruptcy and insolvency act.

The stock, which soared to an all time high of C\$3.85 shortly after the company went public in 1993, had been pressured in recent weeks as the company underwent a restructuring.

A C\$1 rise to C\$39.40 in Loewen Group was attributed to the view that the worst of the funeral home and cemetery company's troubles were now behind it.

# Caracas extends its gains

Lower bond yields, a stable foreign exchange market, positive noises from the government on privatisation, and strong company results helped CARACAS extend its gains, the IBC index rising 77.35, or 2.1 per cent, to 3,838.07 after a 1.7 per cent gain on Wednesday.

Brokers had expected investors to switch out of bonds into stocks after Wednesay's TEM auction which saw yields slip to a range of 53 to 59 per cent, from 56 to 61 per cent a week earlier.

MEXICO CITY, too, gained further ground, encouraging trade figures and ascending US stocks taking the IPC index up by 15.74 to 3,210.16 in midmorning.

BUENOS AIRES, which staged a 1.8 per cent rise on Wednesday, taking its gains on the week to 3.9 per cent, held its ground with the Merval index up another 1.06 to 572.02 in midsession. There was talk of a Brady debt buy-back plan.

# S Africa again pressured

Johannesburg's industrial shares were sharply lower for a second consecutive day as political turmoil and rand weakness dragged the index down by another 2.3 per cent.

The slide came after the National Party ended two days of speculation with its announcement that it was to withdraw from the government of national unity on June 30. However, some nervous late buying had pulled stocks off their worst levels just before the close.

The industrial index plunged 184.2 to 7,755.6, after its 203.6 point fall on Wednesday, pulling the overall index down by 103.3 to 6,692.3. Golds remained impervious, picking up 3.5 to 2,011.2, helped by the weak rand.

Dealers said that the sell-off in industrials was driven equally by local institutions and foreigners. They added that rumours of a bank rate hike of between 1 per cent and 2 per cent heightened the nervous state of the market.

EUROPE

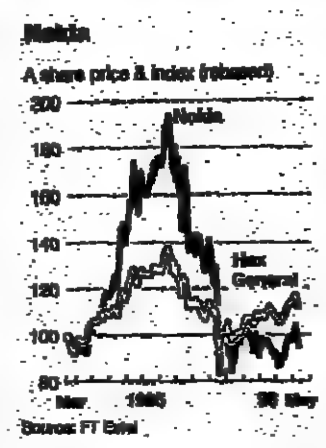
# Nokia disappointment spills over into Ericsson

A 6.1 per cent plunge in the shares of Nokia, after the company reported sharply lower first quarter pre-tax profits, pulled HELSINKI down; and the disappointment spilled over into Ericsson, which contributed to a weak performance in STOCKHOLM.

Nokia dropped FM10.80 to FM165 in heavy turnover of FM585m after the company said that first quarter profit had dropped to FM399m from FM1.35bn during the same period last year. The result was sharply below analysts' forecasts, which had ranged from FM500m to FM1.15bn, and was attributed to weak sales in the mobile telephones division, which posted an operating loss.

The figures were in contrast to Ericsson's better than expected result, reported on Wednesday, which had spurred the shares higher in a falling market. Yesterday, however, Ericsson lost SKr3.5 to SKr140.5 as Nokia's news washed over the telecommunications sector.

Mr Lars Larsen at Unibank Securities said there appeared to be discrepancies in the reports from Nokia and Ericsson on the state of the mobile telephones market. Nokia had reported an increase in handset sales of only 10 per cent in the first quarter while Ericsson said that the worldwide market




had grown by 50 per cent and its sales by 75 per cent. This might indicate a switch in the market share being won by Ericsson, or suggest that that Nokia was succumbing to pricing pressure.

Helsinki's Hex index fell 24.19 to 1,911.04 although Raisio hit another all time intraday high of FM197.00 on active foreign demand after the excitement over its cholesterol-reducing margarine. The shares closed FM1 higher at FM179.

Stockholm's Affärsvärlden general index eased 1.9 to 1,945.2 as a 1.9 per cent jump in the financial sector was erased by a mixed bag of results.

Shipping shares helped other Nordic markets, a sector rise of nearly 1 per cent leaving the OSLO total index up 3.24 at 813.49 with Bergesen A up NKr3.50 at NKr130.50; but COPENHAGEN's gains in the AP Moeller twins, D/S 1912 B rising DKR2,500 to DKr130,000 and D/S Svendborg by DKr2,000 to DKr189,000, were less effective: the KFX index fell 0.40 to 113.75.

AMSTERDAM featured first quarter profits well above expectations at Royal Dutch and the oil company shot up by Fl 11.40, or 4.8 per cent to Fl 249.10, taking the AEX index up 4.09 to 555.65.

In spite of the Nokia figures, Philips recovered from early pressure to close unchanged at Fl 60.40; and Dutch PTT, the post and telecoms group, rose Fl2.10 to Fl 65.60 on institutional buying after re-iterating its forecast of further turnover and profits growth in 1996.

FRANKFURT recovered as Wall Street retained its overnight gains, the Dax index rising 13.79 to an Ibis-indicated 2,470.57. Blue chips were mixed, however, BASF falling a net DM2.70 to DM396.80 as it went ex-dividend, reported a leap in first quarter profits and forecast steady earnings and rising sales this year.

Turnover rose from DM7.7bn to DM8.2bn. Dealers said that investors were nervous, and more active in second liners where Depfa Bank climbed DM4 to DM57 on its forecast of a double-digit gain in 1996 group operating profits; where Hochtief's higher 1995 earnings left the construction group DM17 better at DM606; and where Agiv, the mechanical engineering and electronics group, dropped DM1.85, or 5.5 per cent, to DM331.65 after a 1995 loss, although it forecast a return to profits this year.

PARIS liked mergers, but steered clear of potential scandals as the CAC-40 index rose 1.67 to 2,085.41 in turnover of FFr6.1bn. Ecco hit FFr1,294 before closing FFr46 higher at FFr1,250 on the Adia merger; and Saint-Gobian rose another FFr18 to FFr637 on its acquisition of Pollet from Paribas.

On the downside, the Belgian arrest warrant for Mr Serge Dassault took Dassault Electronique as low as FFr290 before it closed at FFr312, down FFr8, and Dassault Aviation to FFr470 before a close of FFr482, down FFr3.20. And Club Mediterranée fell FFr6 to FFr490 on a \$5m damages claim filed by groups charging that they were humiliated by an allegedly racist skit at a Club Med village in Senegal.

ZURICH saw a SFr14 jump to SFr279 jump in Adia, the temporary employment group, after Wednesday's suspension when the merger with Ecco of France was announced.

The SMI index, however, fell 12.5 to 3,521.6 as selling in SMI futures put pressure on the cash market. Roche certificates lost SFr60 to SFr9,340, reflecting the view that pharmaceuticals were overvalued. Zurich Insurance was down SFr4 to SFr322, ahead of 1995 results due after the market has closed today.

MILAN reflected growing optimism over the formation of a new government and the Comit index edged 0.26 higher to 654.17 while the real-time Mibtel index picked up from a low of 10,365 to close 89 ahead at the day's high of 10,498.

Montedison rose 28.6 at 939.5 after its Montell polypropylene joint venture returned a first quarter profit and forecast a further improvement in April/June. Gemina picked up L32.1 to L735.6 as the company denied plans to sell its RCS publishing arm. ENI added L189 to L6,805 and Parmalat jumped L79 to L1,834 with strong demand reported.

In Eastern Europe, the spotlight stayed on BUDAPEST which hit its fifth new high in a row with the Bux index up 72.30 at 2,929.67. WARSAW registed its third successive two-year high, the Wig index putting on 46.3 at 13,257.9, but analysts said that lower turnover and dominant selling after the day's price fixing signalled a brief dip.

VIENNA, once again, combined high tech and lower share prices, the chipmaker, AMS, crumbling by Sch119, or 9.9 per cent to Sch1,080 after a 7.4 per cent drop on Wednesday.

Written and edited by William Cochrane and Michael Morgan

**FT-SE Actuaries Share Indices**

May 9 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1652.37 | 1653.98 | 1654.38 | 1649.30 | 1650.52 | 1651.99 | 1651.89 | 1652.44 |
| FT-SE Eurotrack 200 | 1702.48 | 1706.09 | 1706.60 | 1702.74 | 1703.67 | 1705.37 | 1704.16 | 1704.49 |

| | May 8 | May 7 | May 3 | May 2 | May 1 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1654.66 | 1668.25 | 1668.01 | 1681.27 | 1679.81 |
| FT-SE Eurotrack 200 | 1699.30 | 1708.61 | 1710.19 | 1725.47 | 1723.01 |

Base value 1000 (26/10/90) High/day: 100 - 1655.14; 200 - 1708.63 Low/day: 100 - 1648.24 200 - 1702.38. † Partial.

ASIA PACIFIC

# Long-term rates worries prompt 1.5% fall in Nikkei

## Tokyo

Heightening expectations of a rise in long-term interest rates hit the futures market and the Nikkei average fell 1.5 per cent on technical selling, *writes Emiko Terazono in Tokyo.*

The 225 index fell 316.72 to 21,411.86 after trading between 21,298.33 and 21,744.37. Profit taking on the futures market prompted arbitrage unwinding, depressing the underlying cash market. The dollar's decline below Y105 added to the pessimism in the afternoon, but equities recouped some of their losses on bargain hunting by domestic institutions.

Volume totalled 512m shares against 440m. The Topix index of all first section stocks fell 16.42 to 1,664.76 and the Nikkei 300 declined 3.09 to 307.76. Declines led advances by 838 to 268 with 127 unchanged.

In London, the ISE/Nikkei 50 index fell 0.85 to 1'441.07.

Industrial Bank of Japan's increase of 0.4 percentage points in its long-term prime lending rate to 3.6 per cent affected investor confidence. "It confirmed that interest rates were set to rise in the future, although at the same time it also points to an economic recovery," said Mr Yuichi Kohashi at Daiwa Securities. Traders also said that the sell off in Nikkei futures was exaggerated by relatively low trading volumes in that market.

Individual investors were busy in speculative favourites. Sakai Heavy Industries, the most active issue of the day, rose Y20 to Y1,610 and Nagasakiya by Y56 to Y743. Janome Sewing Machine, however, fell Y15 to Y508 on profit-taking.

Large capital steels fell with Nippon Steel down Y4 to Y370 and NKK losing Y9 to Y315. Shipbuilders were also lower, Mitsubishi Heavy Industries declining Y12 to Y912.

Taisei, a construction company, added Y6 to Y787 on reports that it was likely to see the first rise in its recurring profits in four years.

Export-related issues were affected by the yen. Electricals lost ground with Hitachi down Y30 to Y1,080 and Omron losing Y120 to Y2,150. Car stocks saw Toyota and Isuzu both losing Y10, to Y2,360 and Y582 respectively.

In Osaka, the OSE average fell 181.30 to 23,128.41 in volume of 62.5m shares. Nintendo, the video game maker, fell Y120 to Y8,160 but Kanematsu NNK, the speculative favourite, gained Y130 to Y4,460.

## Roundup

The spectre of political uncertainty which appeared after the ruling Congress party suffered major reverses in India's national elections left BOMBAY down again.

The BSE-30 index rose 72.95, or 1.94 per cent, to 3,694.30 as analysts speculated that a new government, headed by a coalition of socialists and communists would probably shun labour reforms and slow down progress on the liberalisation programme pursued by government of Mr P.V. Narasimha Rao.

Reliance dropped Rs8 to Rs243.25, L & T Rs9 to Rs280, SBI up Rs8.5 to Rs271 and Tisco Rs7.25 to Rs220.

SEOUL saw further profit-taking in blue chips and other large-capitalisation stocks, with the mood dampened by the Finance Ministry's announcement on Wednesday that it would allow increased new share supplies in the third quarter.

The composite index ended 17.61 or 1.8 per cent lower at 959.14 after the finance ministry said that it would allow up to Won2,500bn of new share supplies in the July-September period, against Won2,130bn in the first six months of this year.

Samsung Electronics lost Won5,900 to close limit down Won92,600 on worries that falling memory chip prices could damage its earnings, although the company flatly denied the speculation.

Medison closed Won5,600 higher at its daily limit of Won102,000 on rumours that it was the target of a takeover bid by Samsung-GE Medical Systems. Both companies denied the speculation.

HONG KONG reversed early gains to end moderately weaker on confusion over US interest rate trends and Sino-US trade frictions. The Hang Seng index fell 44.32 to 10,573.00, off an early high of 10,693.13 in turnover that improved to HK\$4bn.

Analysts said that sentiment appeared to have turned markedly bearish and a test of support at 10,500 now seemed all but unavoidable.

Among key blue chips, HSBC, the day's most actively traded stock finished steady at HK\$110.50, off a day high of HK\$111.50, Cheung Kong tumbled HK\$1 to HK\$51.75 and Swire A was unchanged at HK\$63.

MANILA's blue chips climbed again as strong macroeconomic fundamentals lured foreign institutional buyers back to the market. The composite index registed its fifth successive rise, putting on 63.03, or 2.1 per cent to a 28-month peak of 3,129.03.

Volume fell from 12.9bn shares to 10.33bn but turnover, reflecting the increased blue chip context, climbed from 2.97bn pesos to 3.37bn.

Petron, the largest Philippine refiner and distributor, rose by 60 centavos or 6.1 per cent to 10.50 pesos, and the telecoms major, PLDT, by 60 pesos to 1,520.

TAIPEI heard local reports of further declines in world prices for dynamic random access memory (DRAM) chips, and electronics shares tumbled, the sector falling 3.7 per cent as the weighted index lost 54.85, or 0.9 per cent at 5,965.02.

The DRAM maker, Mosel, lost T\$3.50 to T\$65.50 and Acer, the parent company of the unlisted DRAM maker, TI-Acer, fell T\$3 to T\$58.

JAKARTA ended higher on active buying of second-liners, and on rises in selected large-capitalisation stocks, the JKSE composite index closing 4.75 higher at 620.27 points after hitting a high of 621.02 points. Gainers led losers 60 to 47 and 42 counters remained unchanged.

The fried chicken restaurant franchiser, Putra Sejahtera, leapt Rp150 to Rp950, and topped the active list in 16m shares on market talk that a foreign investor would buy a stake in the company.

SINGAPORE featured a 30 cent rise to S\$ in Van Der Horst and a 28 cent advance to S\$3.58 in Singapore Telecom as the shares were included in the Morgan Stanley Capital Index for Asian equities. The Straits Times Industrials index ended up 2.77 at 2,374.60, against an intraday high of 2,387.21.

KUALA LUMPUR overcame four sessions of losses on a technical rebound as Wall Street's higher close encouraged some buying. February trade figures, released late in the afternoon, were within expectations but were viewed positively as they removed a nagging market uncertainty.

The composite index ended up 10.85 at 1,182.14.



## FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | WEDNESDAY MAY 8 1996 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | TUESDAY MAY 7 1996 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (80) | 211.81 | -0.2 | 207.10 | 140.89 | 167.18 | 175.94 | -0.3 | 3.82 | 212.18 | 208.15 | 140.82 | 167.61 | 176.45 | 212.18 | 162.66 | 176.04 |
| Austria (26) | 187.61 | 0.6 | 183.34 | 124.72 | 148.01 | 147.91 | 0.3 | 1.90 | 186.49 | 182.95 | 123.77 | 147.40 | 147.41 | 199.28 | 168.11 | 182.73 |
| Belgium (31) | 207.27 | -0.2 | 202.66 | 137.87 | 163.61 | 159.56 | -0.4 | 4.16 | 207.70 | 203.76 | 137.85 | 164.27 | 160.22 | 215.81 | 186.06 | 199.88 |
| Brazil (28) | 163.30 | 1.1 | 159.66 | 108.62 | 128.90 | 298.28 | 1.1 | 2.17 | 161.46 | 158.39 | 107.16 | 127.70 | 294.93 | 170.25 | 123.87 | 141.35 |
| Canada (98) | 162.66 | -0.2 | 159.04 | 108.20 | 128.39 | 161.07 | -0.1 | 2.36 | 162.93 | 159.84 | 108.13 | 128.86 | 161.22 | 162.93 | 134.14 | 166.76 |
| Denmark (30) | 297.90 | 0.2 | 291.27 | 198.15 | 235.14 | 237.45 | 0.1 | 1.90 | 297.31 | 291.66 | 197.32 | 235.14 | 237.34 | 305.17 | 272.18 | 279.45 |
| Finland (23) | 186.01 | -0.3 | 181.87 | 123.73 | 146.82 | 185.53 | -1.3 | 2.69 | 186.59 | 183.05 | 123.84 | 147.57 | 187.94 | 275.11 | 171.78 | 204.19 |
| France (97) | 194.74 | 0.1 | 190.41 | 129.54 | 153.72 | 158.66 | 0.0 | 3.05 | 194.54 | 190.85 | 129.11 | 153.85 | 158.98 | 196.39 | 167.70 | 186.72 |
| Germany (60) | 166.25 | -0.1 | 162.56 | 110.59 | 131.23 | 131.23 | -0.3 | 1.90 | 166.50 | 163.34 | 110.50 | 131.68 | 131.68 | 174.38 | 149.49 | 155.37 |
| Hong Kong (58) | 418.73 | -0.6 | 409.42 | 278.53 | 330.52 | 415.87 | -0.6 | 3.40 | 421.27 | 413.29 | 279.59 | 333.18 | 418.40 | 451.19 | 335.37 | 336.37 |
| Ireland (16) | 277.75 | 0.1 | 271.58 | 184.75 | 219.24 | 249.26 | -0.2 | 3.34 | 277.39 | 272.13 | 184.10 | 219.39 | 249.76 | 277.75 | 220.81 | 227.81 |
| Italy (59) | 81.97 | -1.5 | 80.15 | 54.53 | 64.70 | 95.41 | -1.4 | 2.22 | 83.24 | 81.66 | 55.25 | 65.84 | 96.77 | 83.87 | 67.22 | 77.86 |
| Japan (481) | 159.83 | 0.5 | 156.28 | 106.32 | 126.16 | 106.32 | 0.7 | 0.72 | 159.10 | 156.08 | 105.59 | 125.83 | 105.59 | 164.79 | 137.75 | 164.79 |
| Malaysia (107) | 565.70 | -0.5 | 553.12 | 376.29 | 446.53 | 541.19 | -0.8 | 1.59 | 568.25 | 557.46 | 377.14 | 449.43 | 545.77 | 595.09 | 425.77 | 479.14 |
| Mexico (18) | 1242.80 | 1.2 | 1215.16 | 826.67 | 980.99 | 10159.15 | 0.7 | 1.39 | 1227.71 | 1204.41 | 814.81 | 971.00 | 10090.81 | 1313.61 | 791.29 | 1041.20 |
| Netherland (19) | 288.20 | -1.1 | 281.79 | 191.70 | 227.49 | 223.26 | -1.3 | 3.22 | 291.37 | 285.84 | 193.38 | 230.45 | 226.10 | 291.89 | 237.18 | 252.34 |
| New Zealand (15) | 81.43 | -0.3 | 79.62 | 54.17 | 64.28 | 82.80 | -0.3 | 4.35 | 81.72 | 80.17 | 54.23 | 64.63 | 82.98 | 85.49 | 73.28 | 83.76 |
| Norway (33) | 244.36 | -1.2 | 238.93 | 162.54 | 192.88 | 218.75 | -1.4 | 2.39 | 247.38 | 242.70 | 164.19 | 195.66 | 219.91 | 255.75 | 215.04 | 225.81 |
| Singapore (44) | 427.73 | -0.8 | 418.22 | 284.52 | 337.63 | 275.94 | -0.8 | 1.37 | 431.36 | 423.18 | 286.29 | 341.17 | 279.09 | 465.21 | 365.81 | 372.02 |
| South Africa (45) | 349.45 | -3.0 | 341.68 | 232.45 | 275.84 | 341.23 | -1.3 | 2.09 | 360.31 | 353.47 | 239.13 | 284.97 | 345.73 | 407.75 | 338.91 | 357.49 |
| Spain (37) | 174.89 | -0.6 | 171.01 | 116.33 | 138.05 | 167.55 | -0.8 | 3.31 | 175.99 | 172.65 | 116.80 | 139.19 | 168.92 | 178.85 | 141.18 | 149.01 |
| Sweden (46) | 342.62 | -0.3 | 335.00 | 227.90 | 270.44 | 345.46 | -0.5 | 2.31 | 343.77 | 337.25 | 228.16 | 271.89 | 347.90 | 352.30 | 280.85 | 287.57 |
| Switzerland (39) | 235.33 | -0.8 | 230.10 | 156.54 | 185.76 | 180.00 | -1.4 | 1.82 | 237.30 | 232.80 | 157.49 | 187.68 | 182.47 | 252.34 | 184.11 | 194.44 |
| Thailand (46) | 181.93 | -0.3 | 177.89 | 121.02 | 143.61 | 178.19 | -0.3 | 1.84 | 182.50 | 179.04 | 121.12 | 144.34 | 178.71 | 193.95 | 146.74 | 157.72 |
| United Kingdom (201) | 228.85 | -0.1 | 223.76 | 152.23 | 180.64 | 223.76 | -0.4 | 4.12 | 229.06 | 224.73 | 152.04 | 181.18 | 224.73 | 237.49 | 205.12 | 211.71 |
| USA (626) | 262.88 | 0.9 | 257.04 | 174.86 | 207.51 | 262.88 | 0.9 | 2.28 | 260.55 | 255.61 | 172.92 | 206.07 | 260.55 | 269.11 | 212.45 | 214.32 |
| Americas (770) | 240.48 | 0.9 | 235.13 | 159.96 | 189.82 | 202.14 | 0.8 | 2.23 | 238.42 | 233.90 | 158.24 | 188.57 | 200.41 | 245.54 | 195.09 | 196.64 |
| Europe (718) | 206.32 | -0.3 | 201.73 | 137.24 | 162.86 | 161.67 | -0.6 | 3.07 | 207.03 | 203.10 | 137.40 | 163.74 | 162.76 | 211.85 | 181.77 | 187.82 |
| Nordic (134) | 294.44 | -0.3 | 287.90 | 195.86 | 232.42 | 259.80 | -0.6 | 2.30 | 295.47 | 289.87 | 196.10 | 233.69 | 261.42 | 297.80 | 241.09 | 246.76 |
| Pacific Basin (832) | 172.48 | 0.3 | 168.65 | 114.73 | 136.15 | 117.56 | 0.5 | 1.14 | 171.99 | 168.72 | 114.15 | 136.03 | 117.03 | 177.01 | 148.85 | 171.87 |
| Euro-Pacific (1550) | 186.47 | -0.0 | 182.32 | 124.03 | 147.19 | 141.81 | 0.0 | 2.05 | 186.45 | 182.94 | 123.75 | 147.48 | 141.95 | 190.67 | 166.51 | 176.33 |
| North America (724) | 256.64 | 0.9 | 250.93 | 170.71 | 202.58 | 255.98 | 0.9 | 2.24 | 254.45 | 249.63 | 168.88 | 201.25 | 253.80 | 262.26 | 207.93 | 209.82 |
| Europe Ex. UK (517) | 188.86 | -0.5 | 184.66 | 125.63 | 149.08 | 156.73 | -0.7 | 2.50 | 189.76 | 186.16 | 125.94 | 150.08 | 157.81 | 192.67 | 163.85 | 170.87 |
| Pacific Ex. Japan (351) | 291.13 | -0.5 | 284.65 | 193.65 | 229.80 | 246.65 | -0.6 | 2.96 | 292.47 | 286.92 | 194.11 | 231.32 | 251.36 | 296.68 | 243.59 | 244.18 |
| World Ex. US (1740) | 187.53 | -0.1 | 183.36 | 124.74 | 148.03 | 146.34 | -0.1 | 2.09 | 187.82 | 184.05 | 124.52 | 148.39 | 146.41 | 191.55 | 167.38 | 176.79 |
| World Ex. UK (2164) | 208.67 | 0.4 | 204.03 | 138.80 | 164.71 | 175.42 | 0.4 | 1.82 | 207.86 | 203.92 | 137.96 | 164.40 | 174.69 | 212.60 | 178.23 | 187.07 |
| World Ex. Japan (1884) | 239.09 | 0.3 | 233.77 | 159.03 | 188.72 | 226.81 | 0.2 | 2.56 | 238.35 | 233.83 | 158.19 | 188.51 | 226.27 | 242.93 | 201.25 | 204.27 |
| The World Index (2365) | 210.53 | 0.3 | 205.84 | 140.04 | 166.18 | 179.90 | 0.3 | 2.12 | 209.80 | 205.82 | 139.24 | 165.93 | 179.29 | 214.82 | 181.82 | 189.27 |


CONSTITUENT CHANGES 9/5/96: Name changes: BSC 'A' to ABB 'A' and BBC 'B' to ABB 'B' (Switzerland). Latest prices were unavailable for this edition. Market closed 8/5/96: France.

# City is urged to prepare for Emu

By Gillian Tett and James Blitz

The Bank of England, the UK central bank, is to launch a campaign today to persuade the City of London to speed up its preparations for a single European currency.

A detailed document is to be circulated among City institutions, spelling out for the first time how a big overhaul of the UK's financial and legal system will be needed ahead of the creation of a single currency.

The long-awaited document will reveal that some of London's financial institutions are already preparing to change their systems ready for European Monetary Union (Emu). The big banks have agreed to set up parallel payments systems later this decade to handle accounts in euros irrespective of whether the UK stays outside Emu. This would operate alongside the current payments system, known as CHAPS, which is denominated in sterling.

These preparations for Emu are likely to irritate Eurosceptic politicians, not least because Mr Eddie George, governor of the Bank of England, indicated this week that he was increasingly doubtful about the wisdom of proceeding with Emu. But the Bank insists that the City will need to prepare for the impact of a single currency on the UK.

The Bank insists that if Emu does go ahead in 1999, as planned, then it will have significant implications for most financial institutions. The document it is releasing to the *City* today represents a detailed policy paper drawn up by Bank officials, following the release of a draft document to the Treasury Select Committee earlier this week.

The document indicates that big banks have already agreed to introduce parallel payment systems in euros and sterling, if the UK stays outside Emu. The details of this system, and the likely costs, will emerge over the summer.

Elsewhere, the document highlights the legal issues thrown up around trading contracts, and the access that UK-based banks will have to the European payments system, as two key areas for action.

For the moment, the area of the City with which the Bank is most immediately concerned is the question of wholesale banking - and the issue of payments and settlements.

If the UK opts in to a single currency, then it will need to change its payments system in line with the rest of Europe to accommodate the Euro.

However, if it opts out then it will need to ensure that its present payments systems not only have the ability to handle the Euro, as a foreign currency, but also a way of interconnecting into the payments systems used in the EMU area.

The main way that the Bank envisages this will happen is through Target – the name of the new payments system which will be used across Europe under Emu.

But how Target will work is an issue that is still being thrashed out at the European Monetary Institute (EMI) in Frankfurt, and likely to prove very sensitive in the months ahead. In particular, there is a residual fear among some banking observers that UK banks will face subtle discrimination in the new system, particularly if relations with mainland Europe worsen.

The Bank itself attempts to downplay these fears and insists that it will act as a conduit itself, linking UK based commercial banks to Target.

"We will be seeking to ensure in the forthcoming EMI discussions that that the principles of the single market are upheld," it says.

On the matter of euro-denominated securities, the Bank admits that views are still split about whether any special trading system would be needed: some observers think that the City must be able to offer these to retain their competitive edge, but others think existing mechanisms would be sufficient.


THE SUN SAYS

**Euro appeal is flagging**

TODAY is Europe Day. Are we expected to put the flags out?

Well, we are actually. That blue flag with the gold stars will flutter over public buildings in 15 countries.

Some misguided souls will fly the flag here, too – mainly left-wing councils who snub the Union Flag because it's "racist."

*The idea that the people of Britain should want to celebrate Europe Day is a joke.*

In our 23 years in the EU, we have tipped £30billion into the coffers of Brussels.

We have to stand helplessly and watch as Europe destroys our fishing industry and threatens to do the same to our beef farmers and butchers.

Hundreds of thousands of homes were repossessed and businesses bankrupted by the doomed attempt to peg the Pound to other currencies in the ERM.

And we've repeatedly had our noses rubbed in the dirt by the European Court of Justice's bizarre, politically-correct decisions.

Daily Mail

COMMENT

WE HAVE been lied to from the start. Back in 1975 during Britain's referendum on membership, the pro-Europeans told us the then European Economic Community was a free-trade area, embracing sovereign nation states. But the hidden agenda was ever closer union, political and social. They told us food costs would fall. But the European Union adds £28 a week to the shopping bill of a family of four.

They told us we would not have to [illegible] VAT or other [illegible] or tax necessities. In fact, we are moving steadily towards harmonisation and committed to going further and faster under the Maastricht treaty. They told us the net cost of membership would be 'negligible'. It is now in excess of £4.1 billion a year.

They told us 'membership of the Community is vital for those who favour full employment'. But unemployment has risen dramatically since we joined the EEC in 1973.

DAILY EXPRESS

OPINION

**We'll beef up Euro-battle**

The press marks Europe Day: some of Britain's top-selling newspapers found little to celebrate. The Union Flag mentioned in The Sun is the UK national flag often known as the Union Jack

# Commissioner warns of risk of shunning euro

By Gillian Tett and James Blitz

A prominent European Commission member yesterday bluntly told the UK government that Europe intended to create a single currency whether or not the UK intended to join.

Speaking on his first major visit to London since acquiring his post, Mr Yves-Thibault de Silguy, the European Union Monetary Affairs Commissioner, warned UK officials that they could lose significant political influence to France and Germany if sterling stayed outside the process of European monetary union.

Mr de Silguy denied that he was seeking to bully the UK into participating in European Monetary Union. But as Mr John Major's government comes under continuing pressure from its own Conservative party members to rule out sterling's participation, Mr de Silguy said the UK would "lose influence" if it did not take part in practical preparations for the project.

"The UK would probably have a greater influence in the practical preparations if it were more fully committed to the project," he said. "This point is increasingly understood in the City [of London]." He added: "Politically, if the UK stays on the sidelines, there is a greater danger of France and Germany getting ahead of the pack."

Although Mr de Silguy acknowledged that slower growth had recently made it harder for some EU countries to meet the Maastricht criteria – particularly the requirement that debt be below 3 per cent of gross domestic product, he insisted that the goals were still feasible.

"My message is that the single currency is well on track – Europe will have the euro on 1 January 1999," he said. "The single currency is not a goal in itself," the commissioner explained. "It is a vital tool to ensure our future prosperity and our competitive position in the world. It is the inevitable complement to the single market. It is a central part of the fight against unemployment."

He insisted that the euro would simplify the daily lives of consumers. "Its solid anti-inflationary foundations will bring greater certainty and lower costs for companies. Monetary union will create a sound economic framework in which growth and job-creation are easier."

# Rules on share issues are attacked

By David Wighton and Norma Cohen

Business leaders are mounting an unprecedented campaign to persuade City of London investment institutions to relax the rules limiting companies' freedom to raise money from share issues.

The move is believed to have the support of the UK Treasury, which is concerned the restrictions increase the cost of capital to companies compared with international competitors.

A Confederation of British Industry committee has asked institutions to consider raising the ceiling on the number of shares companies can issue for cash without recourse to existing shareholders.

This would require a relaxation of "pre-emption rights", which many institutions regard as sacrosanct.

But Mr John Mayo, finance director of Zeneca and a member of the CBI companies committee, insists the move is "not a crusade against pre-emption rights per se. The companies committee has initiated a sensible discussion about the evolution of the equity market to ensure that British industry has access to capital at the lowest long-term rates."

Under the current rules, companies wanting to raise cash by issuing more than 5 per cent of their shares in any year must offer them first to existing investors. This usually involves selling the shares at a discount through a rights issue. Many large companies would like the ceiling to be raised. This would allow them to do larger "bought deals" where investment banks compete to buy new shares which they then sell to the highest bidders.

Mercury Asset Management, the UK's largest fund management company, said: "We believe that pre-emption rights are a fundamental protection for shareholders as owners of a company providing protection against involuntary dilution."

**The 'mad cow' crisis** 'So far it has never been clear from one day to the next how the British government will respond'

# Slow strategy to end the export ban begins to take shape

By Caroline Southey in Brussels

Senior politicians in Brussels and Britain are quietly edging closer to an agreed strategy to end the crisis in the European Union's beef market caused by BSE, or "mad cow disease". Nearly two months after the deadlock began, the European Commission has outlined a mechanism which could lead to the phased removal of the ban on British beef and beef products.

The strategy involves identifying areas, or products, which can be deemed safe from BSE if certain steps are taken; inviting Britain to implement them; and then lifting the ban once the measures are in place.

The first test will be the fate of an initiative announced earlier this week by Mr Franz Fischler, the EU commissioner for agriculture, under which Britain would implement tougher processing methods for gelatin and tallow as a precondition to the embargo being lifted on these products. Semen would be included in the package.

EU officials drew comfort yesterday from the fact that Mr Douglas Hogg, the British agriculture minister, had endorsed the plan. "The fact that Britain has given a sign that it will go down this path gives us a little more margin for manoeuvre," an EU official said. But there are obstacles, of which the two most obvious are strong opposition from other EU countries to any easing of the embargo and the unpredictable nature of the British government's reactions.

EU officials point out that the two responses are interlinked. That is because the reluctance of some member states to yield on the ban has been fuelled by signs that the British government is equivocal about tackling consumer fears.

"The strategy will only work if both sides accept the terms of the arrangement," an EU diplomat said. "But so far it has never been clear from one day to the next how the British government will respond. It appears to depend on who has the upper hand in the cabinet at any given moment: the anti-Europeans or the vociferously anti-Europeans."

Some member states, notably Germany, have remained inflexible on the ban. "They simply will not agree to easing the ban if they have any doubts it could affect their hypersensitive consumers," a diplomat said.

EU officials point out that part of the blame for member states' intransigence arises from the British government's failure to eradicate BSE over the past 10 years. "The British record is not great," the EU diplomat said. "What angers some member states is that they have faced the agony of disease eradication, including lengthy embargoes and mass slaughter. They see no reason why Britain should get off any lighter."

Sharp differences over the European Union ban on UK beef exports emerged yesterday between Mr Michael Heseltine, deputy prime minister, and Mr Michael Forsyth, Scottish secretary, FT Reporters write from Aberdeen. While Mr Forsyth used some of the strongest language yet by any cabinet minister to accuse the EU of engaging in the "cynical elimination" of the UK beef industry, Mr Heseltine avoided any criticism of European institutions.

Mr Heseltine reminded the Scottish conference of the governing Conservative party that many countries had banned British beef several years before the EU decision. The problem, he said, was immensely difficult, but "the solution we need to find must be a European one."

Earlier, Mr Forsyth, a noted Eurosceptic, told delegates to loud applause: "What we are witnessing now is the cynical elimination of a formidable competitor in the European beef market. We don't believe this has anything to do with health."

# BBC reveals cost-cutting digital plans

By Raymond Snoddy, in London

The BBC intends to use digital technology's cheaper transmission costs to save up to 20 per cent of its £1.8bn ($2.7bn) annual budget which will enable it to launch new services, such as a 24-hour television news channel in the UK.

But Mr John Birt, director-general of the BBC, yesterday also warned that "another step change in the efficiency of the BBC" was needed if the corporation was to enter the world of digital multi-channel television and compete with a licence fee that was likely to remain flat in real terms. The BBC is financed by the state through annual licences which all users of television sets are required to buy.

Mr Birt estimated that savings of between 15 and 20 per cent might be possible through a fundamental reappraisal of all programme-making, business and administration processes in the corporation.

The saving could amount to a "couple of hundred million pounds" and be returned to viewers in the form of a "digital dividend" – new services that could be provided to all viewers and listeners without any extra charge.

The BBC was setting out its vision for the next 10 years of broadcasting a few days after British Sky Broadcasting announced that it planned to launch digital satellite television in the UK in autumn 1997 with the possibility of providing up to 500 channels. BSkyB is the satellite broadcaster in which Mr Rupert Murdoch's media conglomerate holds the biggest stake.

The BBC will aim to make its new licence-fee-funded services available on all the new distribution systems – digital terrestrial, digital satellite, cable and later telecommunications networks.

The BBC intends to offer its channels in wide-screen format with CD-quality sound. Apart from a 24-hour news channel, viewers will have access to more regional news and additional opportunities to see popular programmes. An optional video stream will offer complementary or alternative programmes.

In addition to enhanced services for licence payers, the BBC plans to develop a series of thematic channels, based partly on its vast programme library, which will be paid for by subscription.

The BBC emphasised that programmes would always be shown on the two main BBC channels first before they were shown on subscription channels and that the corporation had no plans to develop either a subscription sports channel or pay-per-view services.

The BBC believes digital technology will allow it to develop a full range of multimedia and on-line products and eventually programmes which can be ordered "on-demand", enabling viewers to call up a programme or a news bulletin they missed.

A similar expansion of services will be possible through BBC digital radio which began broadcasting in the London area last September.

The BBC's "best informed guess" is that by the year 2005 at least 50 per cent of all UK households will be receiving multi-channel digital services.

Despite the arrival of perhaps hundreds of television channels in the next few years, the corporation believes that in the year 2005 the existing main channels will retain 65 to 75 per cent of the television audience, themed specialist channels 15 to 25 per cent and on-demand services 5 to 10 per cent.

Apart from using digital technology to save money, the BBC sees scope for further partnerships with the private sector, will explore using the government's Private Finance Initiative, and seek "a borrowing regime for our trading activities which is more in line with the practices of the marketplace".

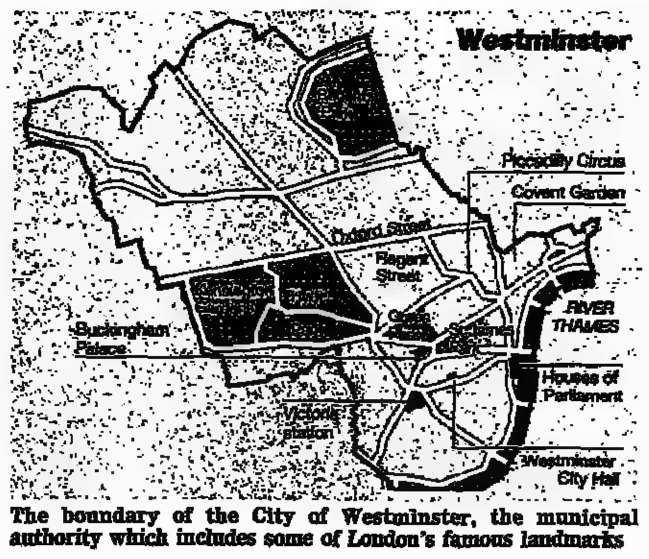
Auditor says Tories in rich district were guilty of 'gerrymandering'

# Councillors were 'disgraceful'

By Alan Pike, John Authers and George Parker

Dame Shirley Porter, the wealthy former leader of Westminster City Council, will go to the High Court in London in an attempt to avoid having to repay up to £31.67m ($48m) after being found guilty of wilful misconduct.

Mr John Magill, the auditor who investigated allegations of a homes-for-votes policy in the district, found yesterday that Dame Shirley and others had engaged in gerrymandering – a "disgraceful and improper purpose". He said their aim had been to increase the chances of the governing Conservative party retaining control of Westminster in the 1990 council elections.



The boundary of the City of Westminster, the municipal authority which includes some of London's famous landmarks

The auditor's findings are particularly sensitive for the government because Westminster has frequently been paraded by ministers as a flagship Conservative council. The area of London administered by the council includes the Houses of Parliament and some of the capital's wealthiest and best-known quarters including Mayfair, Oxford Street and Piccadilly.

The opposition Labour party described the findings as the "biggest single financial scandal in the history of local government" and demanded an investigation to establish whether ministers knew what was happening at Westminster.

The six are jointly and severally liable for the surcharge and Dame Shirley, daughter of Sir Jack Cohen, founder of the Tesco store chain, is believed to be the only one with substantial financial means.

The report finds that the electoral advantage of the Conservative majority on the council was the "driving force" in a policy of deliberately attempting to target sales of housing to designated electorally marginal wards. The logic was that owner-occupiers were more likely to vote for the Conservatives than homeless families who might otherwise have been offered the housing.

Mr Magill said the council had failed in its legal duty to give "reasonable preference", to the homeless, and to people in overcrowded or insanitary homes.

# Syndicate auctions to be reformed

By Ralph Atkins, Insurance Correspondent

Lloyd's of London yesterday announced a reform of its system for auctioning places on syndicates at the insurance market, thus paving the way for many of the Names expected to leave this year to realise value for their holdings.

Previously, Names (individuals whose assets have traditionally supported Lloyd's) relied on their agents' personal contacts to obtain places on the best performing syndicates. But an increasing proportion of Lloyd's capital is being supplied by professional corporate investors, trading with limited liability. This has increased demand for protection of traditional Names' rights and for ways of pricing investment in the market.

Last year, £246.2m ($374.2m) of "underwriting capacity", or about 2½ per cent of the market's total, was traded. Those wanting places on syndicates paid up to 14p per pound of "capacity". Lloyd's hopes yesterday's changes will increase significantly the volume traded.

The number of auctions is being increased from four to eight, starting on July 11, and some fees are to be cut. A further boost should come from the implementation of Lloyd's recovery plan, due in August.

LLOYD'S
LLOYD'S OF LONDON

A special auction will be held in September for those quitting allowing them to take advantage of the expected hike in prices which would follow the recovery plan's approval. This will benefit only those still trading at Lloyd's who hold places on insurance syndicates – and not the thousands of Names who have ceased active underwriting.

There will also be a "dead man's shoes" auction on November 28 for the places of deceased Names.

# First listing of rail shares nears

By Charles Batchelor, Transport Correspondent

The London, Tilbury & Southend railway, a mainly commuter service, is set to become Britain's first publicly quoted train operating company for nearly 50 years. The flotation results from the privatisation of British Rail, the former national network.

Prism Rail, the company which was yesterday awarded a 15-year franchise to run the 100km line from London to the east coast, plans to list its shares on the Alternative Investment Market (AIM), which specialises in new companies, early next month.

This would make Prism the first specialist train operating company to make shares available since the railways were nationalised in 1947.

Prism is owned by the 11 directors and shareholders of four regional bus companies. The shareholders have put up some of their own money and have also raised equity by means of a private placing with 22 City institutions.

Prism is to spend £14m ($21.3m) on improving stations and plans to upgrade its trains totally by 1999. It will receive a subsidy of £29.5m in 1996-97, but the payments will then fall to £11.2m in 2010-11. LTS had turnover of £54m last year and employs 750 people.

Seven of the 25 train operating franchises have been sold while a further 13 have been put up for sale.

● Former managers at British Rail's Freightliner subsidiary are poised to acquire the lossmaking company, which moves containers between sea ports and inland rail terminals.

Frieghtliner may face competition from Wisconsin Central Transportation, a US freight railroad company, which earlier this year took over BR's heavy haul freight operations, and has said it is considering moving into container handling.

UK NEWS DIGEST

# Factory output declines further

Britain's manufacturing industry is technically back in recession because, in the first three months of the year, factory output recorded its second successive quarterly fall. Weak export markets and an unwanted build-up of unsold goods have persuaded many manufacturers to cut production and meet demand from the storeroom shelf. Output is now no higher than at its pre-recession peak in 1990. Nevertheless consumer spending and activity in the service sector both continue to rise. Today's latest distributive trades survey from the Confederation of British Industry shows almost three times as many retailers reporting a rise in sales over the past year as experiencing a fall. This is the biggest positive margin in more than two years.

Yet manufacturing continues to stagnate. The Office for National Statistics yesterday revised down its estimates of factory output in January and February and reported a rise in production of just 0.2 per cent between February and March. As a result factory output was 0.2 per cent lower in the first quarter of 1996 than in the final quarter of 1995.

*Robert Chote, Economics Editor*

## Tunneling method cleared

The controversial New Austrian Tunneling Method (NATM), involved in a railway tunnel collapse under London's Heathrow airport in 1994, is safe to use if proper guidelines are followed, says an investigation by the Health and Safety Executive. A report into the collapse of the airport tunnel during the construction of the Heathrow Express Rail Link will be published separately. The new Austrian method involves spraying freshly excavated tunnels with concrete to provide temporary support until a permanent lining can be installed. It can be up to 25 per cent cheaper than traditional tunnel methods which install permanent linings as excavation progresses. *Andrew Taylor, Construction Correspondent*

## Auditors deplore loophole

Auditors are trying to prevent some of their client companies from exploiting a technical loophole in accounting rules which allows them to inflate profits by undervaluing shares given to executives. The companies want to give staff and executives free shares as part of their pay but to show only the nominal value of the benefit in the accounts rather than the real value of the shares. Most auditors think such methods fail to give shareholders a "true and fair view" of the company's finances, but it is understood that some companies may already have published such accounts.

"This is something that is being touted around by tax and pay experts and we need to hold the line," said a leading accountant in one of Britain's "Big Six" firms. "One or two may have slipped through the net already." Auditors struggling to stamp out the practice fear that if unchecked it could lead to much greater abuses. Experience in the US has shown that some companies are prepared to shift remuneration to free share options and show the cost in the accounts at the nominal value. *Jim Kelly, Accountancy Correspondent*

## Regulator fines fund manager

Imro, the fund management regulator, has punished a subsidiary of Britannia Building Society for delaying before it bought shares for clients of its personal equity plans. The £37,500 ($57,000) fine agreed to by Britannia Fund Managers is the second largest imposed by Imro this year and reflects the fact that clients suffered losses as a result of Britannia's administrative failings. *Nicholas Denton, Financial Staff*





COMMERCIAL PROPERTY

# GLASGOW

## An inspiring story of revival

**Great progress has been made in restoring the city's image and morale, but the process of regeneration still has much further to go, writes James Buxton**

The recent history of Celtic is one of Glasgow's most inspiring tales. Until two years ago the football club's performance on the field was the despair of its dwindling band of spectators, while the shenanigans of its board were a cause of ridicule.

Then a new chairman acquired control and injected fresh capital. Fans oversubscribed a share offer so amply that the club came back for another whack. Celtic shares joined the Alternative Investment Market (Aim) last year and have nearly trebled in value since.

And after years of indifferent performance on the field, the club last month finished only four points behind Rangers, their eternal Glasgow rivals, at the top of the Scottish premier league.

The combined effects of determined management and improved morale have strong parallels in Glasgow's own recent history. As most people know, Glasgow was deteriorating rapidly in the late 1970s and early 1980s. Its heavy industrial base was disappearing before people's eyes, and its population, which was 1.1m in the 1950s, was falling.

But Glasgow's decline was partially arrested by a new strategy adopted by the Scottish Development Agency, the district council and the business community, which aimed at making the city centre more appealing to businesses, shoppers and visitors. It was based on the belief that service jobs could fully replace jobs in manufacturing.

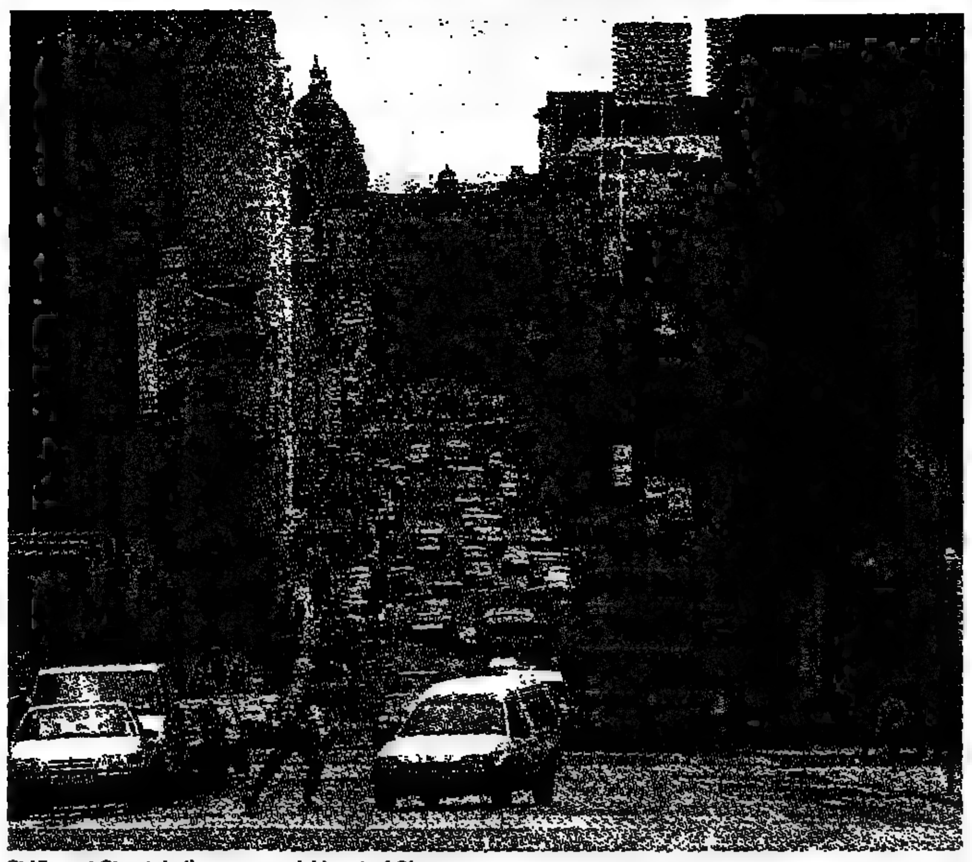
A public relations campaign based on the slogan "Glasgow's miles better" spread worldwide. The city acquired a new image as a pleasant, exciting place, dispelling its past associations with crime and grime.

Two memorable events harnessed the city's energies: the Glasgow garden festival in 1988, which gave the city media exposure out of proportion to the event itself; and Glasgow's one-year tenure of the title European city of culture in 1990, which cemented its position as a destination for cultural tourism.

But Glasgow has not shown the same self-confidence in the 1990s that it displayed in the late 1980s. The UK recession which arrived in the city in 1991 halted a commercial property upsurge, bringing construction to a halt. The pace of economic growth has since been patchy.

However, the Glasgow Development Agency, the city's local enterprise company, has had much success in persuading UK companies to establish branch offices in the heart of the city: about 4,000 people, double the number of two years ago, work in call centres, selling financial services over the telephone.

The city is capitalising on its appeal to the world market for conferences and conventions by building a new conference centre, where in June 1997 up to 30,000 people are expected to attend Rotary International's annual convention. A new municipally-owned Gallery of Modern Art has just opened.



St Vincent Street, in the commercial heart of Glasgow Tony Andrews

Middle-aged Glaswegians remembering poorer times are delighted at the new hotels, restaurants and smart shopping complexes that have sprung up in the city centre in the past few years.

Yet elsewhere, on the periphery, there are vast areas of derelict land and bleak housing estates. In Easterhouse, probably the worst, unemployment is over 30 per cent, levels of drug addiction are alarming and mounted police were introduced recently to combat gangs of teenagers.

The dire state of such areas has strengthened a realisation among Glasgow's leaders that the strategy pursued over the past decade has solved only some of its problems. The city still has average registered unemployment of nearly 14 per cent compared with the Scottish figure of 8 per cent, and unemployment among men is nearly 19 per cent.

The 1991 census revealed that Glasgow had the highest proportion of households without an earner and without a car of any local authority in the UK. The population is continuing to fall because of out-migration and low natural regeneration. Thanks partly to recent boundary changes, it is now down to 623,000.

The census also showed that the city's manufacturing jobs fell from 108,000 in 1978 to 37,000 by 1993, while the net increase in employment in services was only 6,500.

Growth in both manufacturing and service jobs has been much stronger a few miles beyond Glasgow's boundaries, particularly in the new towns of East Kilbride and Cumbernauld, originally created to ease the population and housing pressures on the city.

"The new towns have beggared the city they were supposed to serve," Mr Stuart Gulliver, chief executive of the GDA, says. The process goes on as, little by little, long-established Glasgow companies move to more convenient sites in the new towns, or to the Lanarkshire enterprise zone.

According to the Scottish Office's long-term regional policy, manual workers from Glasgow's outer estates can travel to take jobs in the favoured areas. In practice, this is too difficult and expensive.

But last year Glasgow launched a new strategy which marks a rejection of the idea that a city can survive mainly on service industries. The GDA is now spending heavily to create modern industrial sites within Glasgow's boundaries for the first time in nearly 50 years, with the aim of attracting manufacturing investment.

Mr Gulliver calls this "the most important single policy for the future of Glasgow". It should mean the creation of manufacturing jobs close to areas where working-class people live.

Mr Robert Gould, leader of the Labour administration on the City of Glasgow Council, sees the policy switch as part of a broader strategy to regenerate the city's eight poorer areas, containing more than a quarter of its population.

The council is a unitary authority which took office last month in the reorganisation of Scottish local government. Under the reform Glasgow took control of functions such as transport and social services which were previously the responsibility of Strathclyde region, now abolished. But it lost the additional spending which Strathclyde directed towards the city in recognition of its importance to the region.

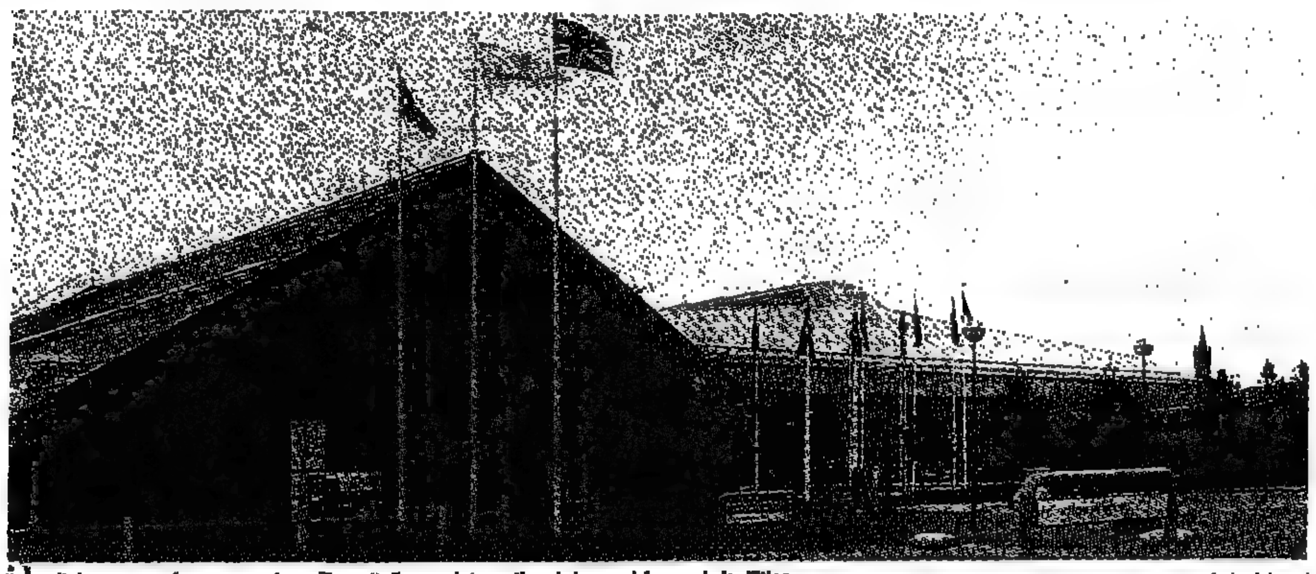
Glasgow now has to rely more heavily on its own tax base to meet its needs. This became starkly apparent earlier this year: Glasgow is having both to cut spending (which it admits had risen too fast) and to increase its council tax by 19 per cent.

Yet Glasgow's 600,000 people make up only half the 1.2m population of the greater Glasgow area. "A good percentage of people living outside the city [in suburbs like Bearsden] but coming here to work or go to the theatre probably use more of our facilities than Glaswegians do," says Mr Gould.

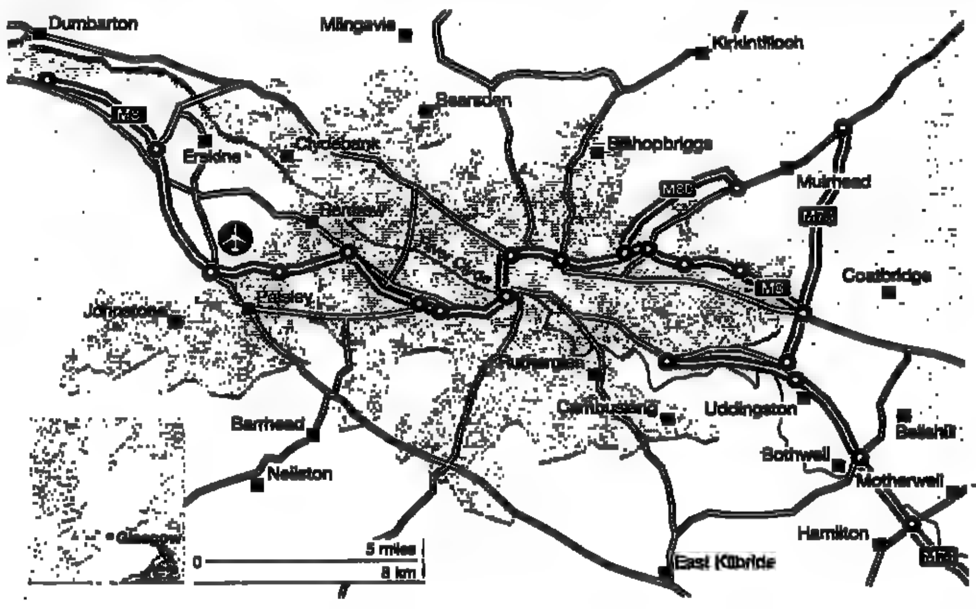
Yet, he notes, council tax in East Dunbartonshire, which includes Bearsden, went up by only 4 per cent. The government, he says, must change the way it allocates funds to local government.

Mr Gulliver, who shares Mr Gould's frustration at the limits to the city's jurisdiction over the greater Glasgow area, sees the revival of Glasgow as something that will take a generation or 25 years: in other words, it has already begun, but there is still much to do.

Last week the Glasgow-born historian Norman Stone, an authority on Germany, wrote that Glasgow was the only UK city apart from London which Germans respect: they recognised that it had been brought back to life. It was a convincing endorsement of Glasgow's claim to be a great European city.



The city's new conference centre will capitalise on international demand for such facilities Ashley Ashwood



COMPANY PROFILE **Hewden-Stuart**

# It may be time to be bold

**Geoff Dyer looks at a striking example of successful entrepreneurship**

Sir Matthew Goodwin, former chairman, with Sandy Findlay, his successor at Hewden-Stuart

Mr Sandy Findlay, chairman of Hewden-Stuart, the plant hire group, comes across as a cautious man by temperament. But he insists that when he says the outlook for the construction industry is still very gloomy, he is just being realistic.

"We are not as confident as some others that there will be a recovery this year," he says. "We are gearing ourselves for the whole of 1996 remaining difficult."

With such a bleak prognosis, the City might be expected to to be downbeat about Hewden-Stuart. But despite Mr Findlay's warning last month that trading in the first two months of this year had been poor, aggravated by the bad weather which brought much construction work to a standstill, the group's shares have continued to rise.

In an industry with its fair share of red ink and collapses in recent years, Hewden-Stuart recorded a profit throughout the recession, even if the figures were well down on the late 1980s. The group has won itself a reputation as one of the best managed stocks in the construction sector.

While the Scottish economy has often been criticised for its poor record of creating new businesses, Hewden-Stuart is a striking example of successful entrepreneurship. The group was founded in the early 1960s when Sir Matthew Goodwin, chairman until last year, bought a half share in a mechanical shovel for £500.

Floated in 1968, Hewden-Stuart has grown from its Glasgow base to be the largest independent plant hire firm in the UK with a presence throughout the country.

Although Sir Matthew is a former deputy chairman of the Scottish Conservative party, Hewden-Stuart has stuck to a set of principles which might strike a chord with New Labour and Mr Tony Blair's stakeholder economy.

The group has always stressed that the long-term view should take precedence over the short-term and that the goal of management is to provide a career structure and opportunities for employees, as well as boosting the returns for shareholders.

Two years ago Sir Matthew used the group's annual results to launch an attack on the City. Short-term pressure from investors and analysts, he claimed, was behind the failure of many British companies to keep investing during the recession.

Mr Findlay, who has been with the group since 1969 and chief executive since 1993, took over as chairman from Sir Matthew last year. So while the style has become more low-key, there is considerable continuity too.

Now aged 60, Mr Findlay is facing his own succession issue. He hopes to appoint a group managing director this year who would become chief executive in two years' time, allowing him to become a non-executive chairman.

The obvious candidates for the job are the group's three executive directors in their 40s and early 50s – Mr Ray Ledger, Mr Roger Quenby and Mr Alastair Deakin.

Faced with the prospect of a difficult year, Mr Findlay has been quick to take action. Spending on new plant was scaled back in the second half of last year and this year the figure will be around £36m, compared to £60m last year.

However, it is not all doom and gloom. Mr Findlay says that the group has been able to push though price increases for crane hire and rates for site accommodation have also risen.

And if the industry is struggling, there should be more acquisition opportunities, Mr Findlay believes. "People have committed themselves to borrowings. Many of them will now be thinking: how am I going to fund this?" he says.

In the area of acquisitions Mr Findlay could face the biggest decision of his tenure at the helm of Hewden-Stuart. Rentokil, whose £2.1bn takeover offer for rival business services group BET, was accepted last month, is considering whether to sell the large plant services division it has inherited.

Mr Findlay says that, if the opportunity arose, Hewden-Stuart would at the very least take a close look at BET's UK operations. With a value possibly approaching £200m, such an acquisition would be the group's largest ever and would transform it. It would also inevitably lead to a substantial issue of new paper, a move which Hewden-Stuart has so far resisted.

The Hewden-Stuart chairman does not entirely rule out the possibility of a bid for BET's larger US business, which would be the group's first venture abroad, although he thinks this unlikely.

Any international expansion is more likely to come in continental Europe, he says, where the group has been close to a couple of deals in recent years, but pulled back.

Either move would be a significant departure for Hewden-Stuart. The cautious Mr Findlay is about to be confronted with some tough choices.

Buchanan Street, part of Glasgow's shopping centre

Tony Andrews

**The economy:** by James Buxton

# Factors in a city's favour

**In the sectors that are likely to flourish in the future, Glasgow seems well-placed**

Mr Stuart Gulliver, the ruminative chief executive of the Glasgow Development Agency, says cities "are the wealth of nations. If you don't invest in them, you imperil the national economy." Glasgow's importance is to be a melting pot generating a great range of dynamic activity that stimulates the wider economy, he says.

Yet despite his frustration at the intractability of many of Glasgow's problems and the limited power of the GDA to solve them, he sees a number of factors working in Glasgow's favour.

One is the sheer diversity of economic activity in the city, much greater than would be found in a small town. Another is that the steady creation of more households, though of smaller families, through divorce and single parenthood, is likely to mean more people wanting to move to cities like Glasgow to enjoy its atmosphere and cultural life, offsetting the declining population.

A third is his belief that Glasgow has a strong position in the sectors likely to flourish in the future, such as research-based industries, design, architecture and cultural industries.

Glasgow is the service centre for much of the west of Scotland's 2.5m people, providing professional services and much of the area's retail capacity. Most of the retail space is in stores and shopping centres in the Argyll Street and Sauchiehall Street areas, and not in out-of-town shopping centres.

Glasgow has the lawyers, accountants and stockbrokers for much of the industrial sector. "It's my perception that activity in the professional community has now got back to the level it reached in the early 1990s," says Mr Ian Bankier, a leading corporate lawyer who has become managing director of Burn Stewart, a quoted whisky company.

With services comprising 85 per cent of the city's labour force, "they will always dominate the city's economy," says Mr Steve Inch, head of Glasgow city council's economic regeneration unit.

The largest companies headquartered in Glasgow are for the most part service businesses, led by Scottish Power, the electricity company which last year expanded by acquiring the regional electricity company Manweb in England and Wales. Next, in terms of financial activity, are Scottish Mutual, the life assurance company, Clydesdale Bank and Abbey National Life, parent of Scottish Mutual.

Mr Inch's regeneration unit has a budget of £11m to spend on helping companies become stronger and more competitive, and on "exploiting Glasgow's unique assets".

The latter include its cultural industries, which embrace not only the arts but also the media, of which the city is the principal centre in Scotland. Glasgow has the headquarters of BBC Scotland and of Scottish Television, and the offices of many of the daily papers produced in Scotland, whether Scottish or London titles.

But manufacturing has lately been attracting much attention. Albion Automotive is an example of a phoenix risen from Britain's indigenous motor industry.

The Glasgow-based axle maker went into receivership with the rest of the Leyland Daf group in early 1993 but was rescued by a management buy-out promoted by the Glasgow Development Agency. This involved funds from the Scottish Office, Strathclyde regional council, Bank of Scotland and, unusually, the receivers, Arthur Andersen.

When Mr Dan Wright led the MBO as managing director, Albion had annual sales of £30m and employed 440 people, most at Scotstoun in Glasgow.

Last year Arthur Andersen sold out ahead of schedule because Mr Wright had already created a free-standing business from an internal division of a large company and had achieved annual sales of £70m.

Manufacturing accounts for less than 15 per cent of jobs in Glasgow but the 45,000 people it employs still make Glasgow the biggest manufacturing centre in Britain outside London and Birmingham. Furthermore, economists believe that jobs in manufacturing are a significant creator of spin-off jobs in services.

But Glasgow's manufacturing base saw a precipitous decline in employment

> The 45,000 people it employs make Glasgow the third biggest manufacturing centre in Britain

between 1978 and 1993, with 70,000 jobs being lost to the city. Nearly two-thirds of those, however, were accounted for by companies moving out of Glasgow to other locations. The other third were caused by closures.

Some manufacturers have left Scotland altogether. Others, however, have moved to the new towns, to Clydebank – formerly an enterprise zone – and to the new enterprise zone in Lanarkshire.

For example, the drinks maker A.G. Barr, producer of the well-known Irn Bru soft drink, recently moved its main operations from Glasgow to the new town of Cumbernauld, while other companies have moved to East Kilbride.

"Companies that move away to the new towns may take some of their people with them," says Mr Robert Gould, leader of Glasgow city council, "but eventually they will become a focal point for the new town."

But Glasgow still has significant UK manufacturing companies. It is the home of the Weir Group, one of the world's leading pump producers; it has two of the UK's remaining shipyards, the Norwegian-owned Kvaerner Govan, and Yarrow, GEC's warship builder.

Barr & Stroud, the optronics company which has specialised in making periscopes, responded to the drop in defence orders by selling off its old plant to a supermarket and diversifying its sales outlets. It built a new facility with a smaller workforce in which actual manufacturing takes up less than half the floorspace.

While services predominate, says Mr Inch, "Glasgow also has the attributes to be a bigger manufacturing centre. Up to now, it has been held back by the lack of good sites."

The GDA has begun a programme to develop six sites to make them attractive to inward investors with manufacturing projects. The sites include Pacific Quay (the old Glasgow garden festival site), the west of Scotland science park, and areas at Cambuslang and Robroyston.

"This is a new twist to an existing policy," Mr Inch says. "We had been getting a small amount of inward investment in manufacturing but it has not been headline-grabbing stuff. Now we are more hopeful."

Mr Frank Blin, head of the business advisers Coopers & Lybrand's operations in Scotland, says he believes the business climate in the Glasgow area is improving, though it started doing so only in the past nine months "after going through a sticky patch in 1993 and 1994".

"Businesses here are not as optimistic as they were in the late 1980s when we had the property boom," he says. "Now it's a case of slow and steady progress."

**Property:** by Geoff Dyer

# Uncertainty hits market

**House prices and commercial rents are rising – but other developments are worrying**

The Glasgow property market has been beset by a great deal of uncertainty in recent months. For a city that leans so heavily on service industries, the consolidation that is raging through all areas of the financial services sector has been a worrying development.

The biggest blow to the city came last month, when Scottish Amicable, the mutual life assurance company, announced that it was shutting its Glasgow headquarters.

The group, which had a six-storey building in St Vincent Street at the heart of the city's financial district, is shifting the bulk of more than 200 staff at its Glasgow HQ to the Craigforth office complex near Stirling. (Its investment management department, which works out of a separate office, is unaffected.)

On top of this direct blow, there are a host of other potential headaches. Friends Provident, for instance, another mutual life assurer with a large Glasgow presence, is widely expected to be sold to another financial services group.

And the merger between Sun Alliance and Royal Insurance, announced earlier this month, could lead to 5,000 job cuts and is expected to spark off a further round of takeovers and mergers in the insurance industry, which could have implications for Glasgow.

"There are huge changes going on in service industries at the moment, which we cannot be immune from," says Mr Simon Mitchell, a partner at Richard Ellis, the chartered surveyors.

This uncertainty has hit the Glasgow market just at a time when it seemed to show signs of a sustained recovery. Commercial property rents for Grade A sites are around £16-17 per sq ft, according to property market professionals.

This is well below the £20 that was reached in 1991 before the recession hit the market, but it represents an increasing trend. And surveyors report that the level of incentives, such as rent-free periods that property companies offer, are declining.

The housing market is also picking up, with Glasgow house prices 6.1 per cent up in the first quarter of this year, compared with the same period last year, according to figures produced by the Royal Bank of Scotland, Scottish Homes, the national housing agency, and Registers of Scotland, which records all property sales.

Mr Patrick Vaughan, chief executive of Pillar Property Investments, a property company with considerable interests in Glasgow, says: "I am not sure how strong and how widely spread it will be, but an upturn is on the way."

Market professionals are putting a brave face on the departure of institutions such as Scottish Amicable. Mr Mitchell says that it will help prevent a vacuum that has been developing in the market for top quality property.

At the end of the first quarter this year there was only 195,000 sq ft of available Grade A space and no developments were under way that would lead to more space coming on the market this year, he says.

"The result of the flux in the financial services sector could be to release bigger buildings onto the market," he believes.

The Glasgow property market boomed in the late 1980s after the city persuaded a number of companies to relocate, lured by the good communications and high quality labour. But since then the common complaint has been the lack of suitable, high-quality space.

The situation is aggravated by the design of the city – most blocks in the financial district have a lane running through the middle of them, which means that the buildings are often relatively small. And large parts of the city centre are listed, so any refurbishments have to take place behind existing facades, which can be costly.

A number of projects are under way to address this shortage, although given that

> The result of the flux in the financial services sector could be to release bigger buildings onto the market

many of them are dependent on signing up tenants prior to construction, property professionals are anxious to see if the present uncertainty has any impact.

Despite the closure of its Glasgow headquarters, Scottish Amicable is the investor behind the £12m development of Ashley House on West George Street.

Construction has already begun on this speculative 77,500 sq ft development and it is due to be completed by next spring, according to Mr Bill Colville, director of DTZ Debenham Thorpe, the letting agent for the project.

Pillar is still trying to secure tenants before starting construction on the second phase of its Broomielaw development project – the area between the financial district and the river.

The overall plan is to develop 700,000 sq ft of office space over a number of years, in conjunction with Bellhouse Joseph, but the initial undertaking is to develop a 130,000 sq ft site.

Other developments include 95,000 sq ft of office space at Alhambra House on Waterloo Street by Friends Provident and the £8.5m project to develop 65,000 sq ft in George Square by the Co-operative Insurance Company.

Glasgow's retail market has also been the victim of uncertainty. Construction has begun on the £150m Buchanan Galleries development, by a partnership of Slough Estates and AMP Asset Management.

The project is designed to extend shopping on Buchanan Street, one of the city's busiest retail streets, all the way up to the new concert hall, which was opened as part of the year of culture celebrations in 1990.

The 600,000 sq ft development, which is due to be completed by 1999, has a 300,000 sq ft John Lewis department store as its backbone.

However the outlook for this development has been clouded by the decision to go ahead with a huge, new out-of-town retail development at Braehead, to the west of the city. The £225m project is a partnership between Marks & Spencer and J. Sainsbury, the retailing groups.

The consortium had consent for their original plan but was refused permission when it submitted a reduced version, as Strathclyde Regional Council had decided that Braehead might affect other projects such as Buchanan Galleries. However, the consortium is going ahead regardless with its original plan.

■ **Call centres:** by James Buxton

# So friendly on the phone

## Do the city's inhabitants have a vocation for the fastest-growing sector of its economy?

**Glasgow's substantial financial services sector has been swollen in the past few years by the fast growth of call centres – offices where large numbers of people deal with customers over the telephone.**

More than 4,000 people are now employed in about 40 call centres in Glasgow. This is still a small proportion of the 2,500 or more call centres which now exist all over Britain and which employ about 40,000 people. But for Glasgow the phenomenon is significant because call centres are probably the fastest-growing sector of the city's economy.

Furthermore, Glasgow has identified itself closely with call centres: attracting them is probably the most successful aspect of the Glasgow Development Agency's recent work in inward investment. The GDA has also combined with some of the main companies in this new industry to spur the setting up of a UK-wide Call Centre Association based in Glasgow.

The agency likes to see Glasgow as "call centre city" with the implication, which has some justification, that Glaswegians have a particular vocation for this type of work.

The call centres supplement the existing financial community: Glasgow has long been the headquarters of the Clydesdale Bank, Scotland's third biggest bank which belongs to the National Australia Bank. The city has a life assurance sector led by Scottish Mutual, now part of Abbey National, and has offices of the major UK composite insurance companies.

Glasgow has its own branch of the London stock exchange, which claims to process a third of all private retail share transactions in the UK using the Talisman system. But in a year's time the 17-strong staff will probably be slimmed down to five when Talisman is superseded by Crest and will concentrate mainly on promotion and public relations.

There are 11 stockbrokers based in Glasgow, plus two firms of market makers and a small fund management community, dominated by Murray Johnstone which manages about £4bn of funds.

The existance of a skills base in financial services was one factor helping attract Barclays Bank to establish a branch of what is now called Barclays Stockbrokers in Glasgow in 1986. Other reasons for its choosing Glasgow were the ready availability of office premises and an easy journey between the city centre and London by air.

Barclays Stockbrokers employs about 250 people in a telephone-based share-dealing service. Other financial services companies which followed it were TSB Phonebank and TSB Homeloans, the former dealing since 1991 with bank customers' business 24 hours a day and the latter administering mortgages sold by TSB's bank branches.

The most spectacular expansion in call services has been that of Direct Line, the motor insurance subsidiary of the Royal Bank of Scotland created by Mr Peter Wood. Direct Line first opened in Glasgow in 1989. With financial services and life assurance recently added to its product range, it now employs more than 1,100 people in Glasgow, making it the company's largest centre after its headquarters in Croydon.

> Glaswegians are "blessed with quick wit and talk easily with our customers"

Mr Lyndon Thomas, an executive director of Direct Line, says that the Glasgow operation has the lowest staff turnover of all its six city locations.

Away from financial services, British Airways was an early company to choose Glasgow for a call centre, setting up a telephone sales operation employing about 400 people in 1990. BA moved part of its reservations system away from the London area where staff turnover averaging about 35 per cent a year was a major source of unnecessary cost. It has found annual staff turnover in Glasgow averages between 3 and 4 per cent.

British Telecom has a direct sales operation in Glasgow to sell BT's services over the telephone. It employs about 200 people.

A relatively recent arrival in the city is the BBC Radio Helpline, a service launched in early 1995 which provides advice to callers from all over the UK on issues arising from BBC radio programmes. It began with a staff of 80.

Another call service provider is Network Scotland, which has been operating since 1979. It handles services such as the national AIDS helpline and the drugs helpline, and the NHS helpline in Scotland.

For many incoming companies the attractions of setting up in Glasgow include being in a big, sophisticated city with a large labour pool, endowed with a transport infrastructure that enables staff to get to and from work easily at almost any time of the day or night. In addition, it has rarely been difficult to obtain premises, specially since the big construction upturn in Glasgow at the end of the 1980s.

The availability of regional selective assistance in a development area has been very important for all companies. BA has said it calculates that the package of financial assistance it obtained for creating 400 jobs was worth £2m, representing about 11 per cent of the £18m relocation cost, assuming annual rent is capitalised over 21 years.

But other important factors are the Scottish accent and the friendliness of most people in the Glasgow labour pool. Mr Justin Urquhart Stewart of Barclays Stockbrokers, a leading figure in the Call Centre Association, says: "In Scotland there is a clarity of language. It's simply good speaking. People who work on the phones use their voice as a part of their style. It gives them an edge."

Mr Martin Hunter of BT says Glaswegians have the ability to create instant relationships with customers. "Blessed with quick wit and a naturally friendly personality, they talk easily with our customers," he says.

These are not necessarily subjective views. Mr Guy Fielding, an English-born academic at Queen Margaret College in Edinburgh, says that in a telephone call the accent of the other person (whom one does not know and cannot see) is a crucial clue to their identity, which suggests stereotypes to the caller.

The stereotype suggested by a Scottish accent is positive, he says: Scots are seen as being friendly, intelligent and well-educated, as well as trustworthy in dealing with money – a valuable attribute in selling financial services.

Scots are not alone in scoring by this measure, he believes. While Anglo-Saxons are considered reserved, people in the UK's Celtic fringe – Scots, Welsh and Irish – are seen as warm and communicative.

■ **Clydeport:** by Geoff Dyer

# Confidence starts to return

## The key to achieving further growth may lie in the Hunterston coal terminal

Clydeport has jurisdiction over the Clyde estuary but is still the minnow of the quoted ports sector *Tony Andrews*

**The riverside offices of Clydeport, the Glasgow-based privatised ports operator, speak volumes about the self-confidence the city boasted at the turn of the century.**

The port authority's trustees – a collection of the City's great and good – used to congregate in a lavish, oak-panelled circular room that looks more like the parliamentary chamber of a small country than a company boardroom.

The corridors are flanked on one side by stern portraits of the port's pioneers and on the other side by stained glass windows proclaiming Presbyterian pieties.

The city's maritime ambitions have been scaled back since then and the floor of magisterial meeting rooms is now used by Clydeport only when it has not been hired out to other companies.

But some of that old confidence is returning to the group. Four years after privatisation and 18 months since flotation, Clydeport is experiencing something of a renaissance.

It was a very different story back in 1992. When British Steel finally closed the Ravenscraig steelworks, near Glasgow, it was providing over 40 per cent of Clydeport's revenues. At the same time, Clydeport was considering closing its Greenock operation because of lack of business.

Now the group is more concerned that it will run out of capacity at Greenock. As a result Clydeport paid £1.95m in April for the former Scott Lithgow site next door; it had been owned by Trafalgar House, the engineering group.

Clydeport, which is one of the former trust ports, has jurisdiction over the whole of the Clyde estuary, an area of around 450 square miles. Its main port activities are at Glasgow, Greenock, Hunterston and Ardrossan; it also has considerable property interests.

The revival in Clydeport's fortunes has been reflected in the group's results. Turnover has increased by 53 per cent in the last two years and pre-tax profits more than doubled. The shares, which were 131p at flotation, have gained about 30 per cent.

Analysts think that there is still plenty of scope for further organic growth. The key to achieving this may lie in the Hunterston coal terminal on the Ayrshire coast.

Hunterston was a relic of British Steel's ambitious expansion plans in the 1970s. Completed in 1979 on 450 acres of land, the plan at one stage had been to build an integrated steel plant on the site. Clydeport bought it from British Steel in 1993 for £4.8m.

Hunterston has many attractions though. It has the advantage of being one of best-situated deep water terminals in Europe and can accommodate cape-size bulk vessels carrying cargoes of around 140,000 tonnes.

Although volumes through the terminal increased 31 per cent to 2.64m tonnes last year, only 60 acres of the stockyard is currently being used, half of the available capacity. A rail link is waiting to be operated if customers demand it.

Mr David Hunt, the group's managing director, says that Clydeport has had talks with around half a dozen other potential customers.

But he admits that the ability of the group to make full use of Hunterston's resources depends on what happens to the UK coal industry post-privatisation. It is too early, he says, to predict what the demand for indigenous coal and imported product is going to be.

At Greenock, the group has not yet finalised its development plans for the Scott Lithgow site although it has the potential to be used as a working port.

Glasgow has also seen a considerable rise in traffic in the past three years, much of it for animal feeds. The group is building new sheds to accommodate more traffic. At Ardrossan planning permission is being sought for a new marina and retail development.

Despite this record, Clydeport, with annual turnover of £18.2m, is still the minnow of the quoted ports sector. The group has been left behind by the wave of acquisitions that has transformed the sector in recent years. Forth Ports, its Edinburgh-based rival, has acquired the port of Tilbury on the Thames while Mersey Docks owns the Medway Ports.

Clydeport was a strong favourite to acquire the port of Dundee when it was privatised last year. That would have given the group a presence on the east coast. But it was pipped by Forth Ports, which paid £10m.

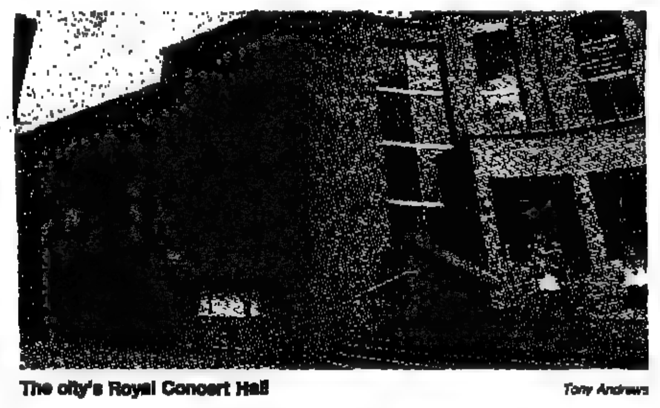
Mr Hunt plays down the importance of making acquisitions, pointing out that unlike other industries, acquiring new ports rarely adds anything to a group's existing business. He acknowledges that the pace of consolidation has slowed. "There are very few ports for sale at the moment," he says.

Clydeport would be interested in the port of Tyne, which is due to be privatised, and also in Belfast, he says. However, analysts suspect the group could find itself in the same situation as it faced with Dundee – being outgunned by its larger competitors and their greater financial muscle.

■ **Culture and society:** by Geoff Dyer

# The image and the reality

## Is investment in cultural projects really the best way to revive the city's fortunes?



The city's Royal Concert Hall *Tony Andrews*

**During 1990, Glasgow's year in the limelight as European City of Culture, Pat Lally, then leader of the city council, had long-running dispute with James Kelman, the Booker prize-winning novelist and scourge of the London literary establishment.**

Ostensibly, their argument was an aesthetic one, over the virtues of a mural commissioned for the new concert hall, the *grand projet* of the year of culture celebrations.

However, at heart their dispute was political. Mr Lally has been one of the pioneers of the idea that Glasgow should revamp its image and invest in culture and tourism as a means of reviving the city.

Meanwhile, Mr Kelman argued that it was wrong for a (Labour) council to be spending so much money on glitzy, middle-class diversions such as art galleries and classical concerts, while so many of the city's former manufacturing workers were withering on the dole.

Six years later Mr Lally is back – he was appointed Lord Provost (mayor) in April – and Glasgow is once again humming with cultural activity, much of it municipally sponsored.

Last month saw the opening of the new Gallery of Modern Art – now known as Goma – in the old Stirling's Library, one of the city's finest classical buildings.

While the public has embraced the new gallery with enthusiasm – 100,000 visits in the first three weeks – the critics have been unsparing in their criticism of Goma and its curator, Mr Julian Spalding, over the lay-out, eccentric selection of paintings and even the café.

However at the very least, Glasgow now has an excellent resource for collecting and showing modern art. The city council has set up a £3m fund, from which the interest is used to pay for new works.

Other highlights include a retrospective show of the works of Charles Rennie Mackintosh – an architect, artist and designer who was neglected during his lifetime, but is now celebrated in every bookshop and gift store in the city – opening at the McLellan Galleries this month.

Last month, there was an international art fair in George Square, in the city centre, and in the autumn there will be a design festival.

Preparations have begun for 1999 when Glasgow will be the City of Architecture and plans are well advanced to build a new National Gallery of Art and Design in the old post office building in George Square.

So after a period in which it seemed the city had lost its momentum following the 1990 year of culture, Glasgow is back in the public eye. 1996 is in fact the Year of Visual Arts in Glasgow – having lost Arts Council support for a festival, the city has gone ahead on its own, ignoring the accusations of bad sportsmanship.

However despite all the activity, Mr Kelman's question is still valid. In a city with around 20 per cent adult male unemployment, what has all the public money and media hype done for Glasgow's ailing economy?

The city council is armed with facts and figures to show that the investment has been worthwhile. In terms of the city's economy, the cultural sector is the fastest growing industry, it says.

According to the "Glasgow Cultural Statistics Framework Summary", published last year, turnover of the cultural sector grew by 41 per cent to £420m between 1986 and 1993, while the number of people employed increased by 12 per cent.

That is only part of the picture, according to Mr Bob Palmer, director of the council's Department of Performing Arts and Venues. Glasgow was one of the first cities to appreciate that culture can be used as "a tool of urban regeneration", he says. "It is much larger than just economic development. The cultural life of a city affects its confidence in itself and the image other people have of it," he argues.

The impact on the tourist industry has been much more dramatic. Ten years ago few people would have considered visiting the city for a holiday: now, after London and Edinburgh it is the most popular destination in the UK, with 1.2m visits a year.

The tourist industry in the Greater Glasgow area has an annual turnover of around £600m and employs 48,000 people, 10 per cent of the city's workforce.

Mr Jack Munro, chief executive of the Greater Glasgow and Clyde Valley tourist board, says that £850m will be invested in new tourist projects over the next five years.

These include plans to develop the site of the 1988 garden festival, much of which has since lain empty; to build a football museum at Hampden Park, where Scotland play, and to develop a conference centre.

The economic benefits of these investments are not just in tourism, Mr Munro says. "They enhance the quality of life and reputation of the city, which makes it a more attractive option for inward investment and relocation."

But, though Glasgow has the backing of a ruthless and professional public relations apparatus, its reputation has taken a dent in the last year.

Glasgow is a still a city with huge social problems which are currently getting as much publicity as its painters and modern dance troupes.

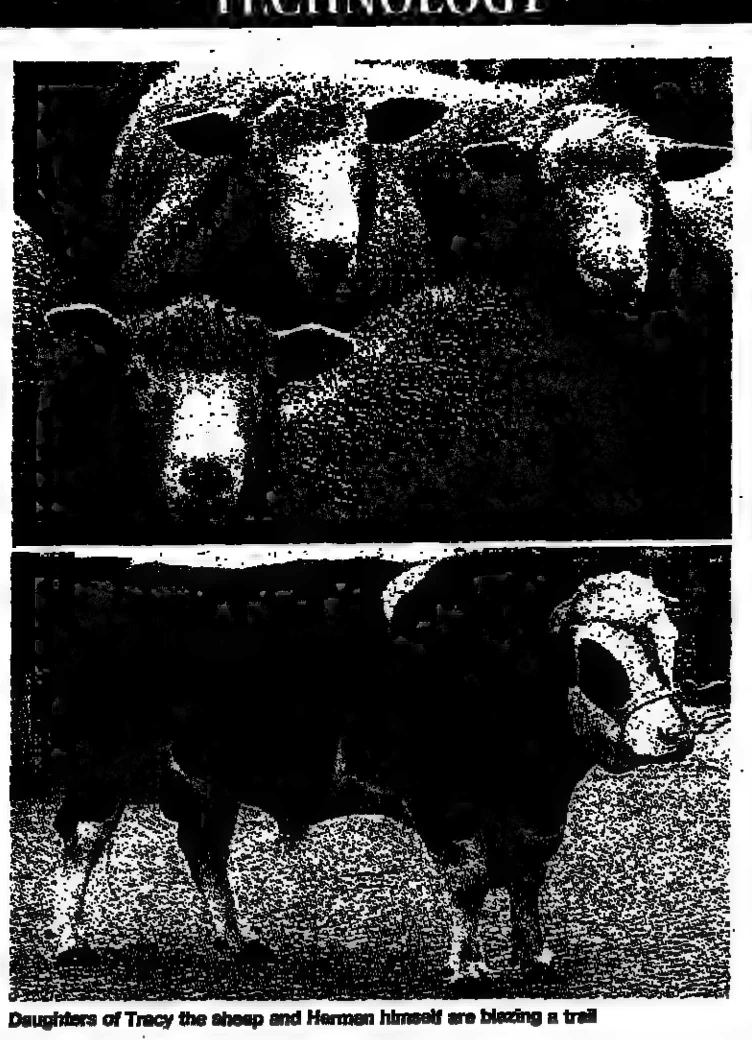
It has one of the worst records for heroin addiction in the country and drug-related offences have spiralled since the beginning of the decade. There has also been a marked increase in violent crime and the police have warned about the escalating gun culture.

Just as worrying for the city's image-makers is that some of the damage to Glasgow's carefully-constructed reputation has been caused by the very people they seek to glamorise – its artists.

The novels of such writers as Mr Kelman and Jeff Torrington describe a city that is still extremely poor, dangerous and, at times, desolate – a million miles away from the world of the Burrell Collection and Merchant City wine bars.

However hard the PR men and women may try to avoid it, Mr Kelman is still vying with Mr Lally to define the image of the city.

TECHNOLOGY



Daughters of Tracy the sheep and Herman himself are blazing a trail

# Medicine from milk

**Daniel Green** and **Clive Cookson** on drugs from transgenic animals

Tracy the sheep, Herman the bull and Grace the goat *may not sound like pioneers* in biotechnology. But their offspring – genetically engineered to produce medicines in their milk – are already making strides towards becoming drug factories.

Last week, PPL Therapeutics, a Scottish biotechnology company, said the technology was advanced enough for it to seek a listing on the London Stock Exchange. It plans to launch products extracted from sheep milk from 2001. They include alpha-1-antitrypsin for cystic fibrosis and factor IX for haemophilia.

The others are as close to commercialisation. Genzyme Transgenics of Massachusetts (48 per cent owned by Boston biotech company Genzyme) is planning to start clinical trials by the autumn of antithrombin III for blood clots. It is extracting drugs from goat milk.

And Pharming, spun off last year by its former US parent, GenPharm International, and now an unquoted Dutch company, is developing collagen for tissue repair and arthritis, and lactoferrin, a natural antibiotic. Its first products, from cattle, could be launched in 1999.

Between them, the three companies are promising to develop drugs for medical conditions that range from cancer and heart disease to shock.

The commercial strategy and basic science are similar for all three, says Harry Meade, vice-president for transgenic research at Genzyme Transgenics.

The strategy is to find more efficient ways of making complex protein molecules. The biotech industry manufactures some molecules that are too large to produce by classic chemical methods, such as insulin, in fermenters from genetically engineered micro-organisms (such as bacteria or yeast) or cultures of living human or animal cells.

*But insulin* is much simpler than many molecules that pharmaceutical companies would like to make. More complex molecules go through several stages in their production and it becomes increasingly difficult to keep several different kinds *of cell alive and free from contamination.*

"Keeping them clean is especially difficult. Cells don't have immune systems like animals do," says Meade.

Ron James, managing director of PPL Therapeutics, says drug companies know of many complex proteins that they want to manufacture because of their likely medical need. "We are working on materials that drug companies wanted to test but couldn't make enough of," he says.

George Hersbach, chief executive of Pharming, says his company, too, has gone for molecules that are important for human health but are *difficult to make by the biotechnology* industry's conventional methods. These include complex proteins such as human type I collagen, a triple-stranded spiral molecule whose biosynthesis involves two different genes.

There are, however, minor variations in the scientific theme underlying the animals. Apart from the obvious difference between sheep, cows and goats, the companies have chosen a different "promoter" gene to ensure that the desired human *protein is produced only* in the animals' mammary glands.

The promoter is the control region of an animal gene for a protein related to milk production that *is normally switched on in the* mammary glands. This promoter is joined to the gene coding for the desired human protein – such as factor IX for PPL or collagen for Pharming – to make a combined "DNA construct", which is micro-injected into the newly fertilised egg.

All three promoters seem to work well. They switch on the human genes so that the products appear in the transgenic animals' milk but not in the blood or other tissues. There is no clear evidence yet to *show that any of the promoters* is better than the others.

When the DNA construct is injected into the fertilised egg, it only "integrates" successfully into the embryo's genetic material (genome) in 5-10 per cent of cases, says Gerard van Beynum, Pharming's vice-president for R&D.

Although there is still no way of directing the DNA to a particular place in the genome – its insertion is completely random – it seems to *be stable and can be passed* on reliably from one generation of transgenic animals to the next.

"We have seen this consistency in three generations of cows and 15 to 20 generations of transgenic mice," van Beynum says.

Collagen and lactoferrin will be required in relatively small quantities to treat patients but serum albumin – another protein being developed by Pharming – is a different matter. Instead of a few milligrams each, patients in shock need *doses of up to 100 grams of albumin.*

So, for albumin, the advantage of cows is that they could produce large volumes of the protein at low cost.

Although it takes longer to build up a herd of transgenic cows than a flock of sheep, Pharming says that this does not matter in practice because other technical and regulatory issues determine the pace at which the products can be developed.

Meade is more sceptical. "Goats and sheep are pretty equivalent. Both take 18 months before you have lactation." Cows take about twice that time and "you can't start your regulatory processes until *you've got milk being produced*".

The debate may be academic. Such is the range of diseases each company is pursuing that, if the technology leads to pharmaceutical quality medicines, there will be room for all three companies. Patent disputes seem, so far, to have been avoided through cross-licencing.

The early products from transgenic milk will be purified and administered as if they were conventional drugs. Later, says Hersbach, Pharming hopes to develop orally active proteins "which you can take simply by drinking the milk".

Meade concedes that the use of *genetically changed animals is only* now moving from the "speculative" to the "non-standard" as a means of producing medicines.

But then the technology has already come a long way. Rick Lathe of the Centre for Genome Research at Edinburgh University was one of the pioneers of the technique that is now used by PPL. He says that he hawked the idea of making drugs in sheep's milk around the UK pharmaceutical companies in 1983-84.

"They told us we were mad," he says.

MANAGEMENT

JOHN KAY

# Oh Professor Porter, whatever did you do?

One of the first tricks a management guru learns is the art of the "shifting concept". The following exchange will give you the idea. The business school professor tells the class that successful firms must establish high market share.

*"What about BMW?," asks the* smartalec student in the front row, who knows that BMW has a far smaller share of the world car market than many less successful companies. "Ah," the professor replies triumphantly, "BMW has a high market share in the luxury saloon segment".

Take another example: the claim, widespread a few years ago, that quality is free – higher quality invariably leads to higher profits. It only requires a second's thought to see that this claim is quite absurd, although a second is a long time in the world of management gurus. Harrods makes less profit than Wal-Mart and the *Savoy was not as good an investment* as Forte Travelodges. Not many people need, or will pay for, the level of quality which Harrods and the Savoy provide.

I expect that several management consultants have already switched on their laptops and modems to communicate with the editor. They will write that I have completely misunderstood what is meant by quality. Other people would say that the Waterside Inn at Bray provides better-quality meals than McDonald's. That is how the Michelin guide assesses quality when it awards three stars to the Waterside Inn and does not list McDonald's. It is also what *ordinary people mean by quality.*

But that ordinary meaning of quality is not what business gurus mean by quality. What they mean is quality relative to customer expectations, or quality relative to what you set out to achieve. By these standards, McDonald's quality is outstanding, and that is why McDonald's is such a successful company. There is a sense in which this is right. But the price a guru pays for this kind of infallibility is very high. Since there is no observation which could ever refute his claim, his maxim gives you no practical guidance.

So does the pursuit of quality mean these firms should change what they do? Should McDonald's offer duck a l'orange, or the Waterside Inn offer even more exquisite morsels at even more elevated prices? I don't know and nor does he. And the injunction creates confusion among simple people who thought that quality *meant what it usually means.* It had precisely that effect at British Home Stores, which thought it had to move up market, only to discover that Marks and Spencer customers were happy at M&S and British Home Stores customers didn't want to pay the extra.

One of the most famous propositions in business strategy is Michael Porter's injunction not to be

**Return on investment by strategic position**

Relative to competitors:

| Cost | Quality(%) Low | Med | High |
|---|---|---|---|
| Low | 11.7 | [illegible] | [illegible] |
| Med | 8.8 | 13.9 | 17.9 |
| High | 3.4 | [illegible] | [illegible] |

*Source: Cronshaw, Davis and Kay, 1994*

"stuck in the middle". "The worst strategic error is *to be stuck in the* middle, or to try simultaneously to pursue all the strategies. This is a recipe for strategic mediocrity and below-average performance, because pursuing all the strategies simultaneously means that a firm is not able to achieve any of them because of their inherent contradictions." (Porter, 1980, p5).

"A classic example is Laker Airways, which began with a clear cost focus. Over time, Laker began adding frills, new services and *new routes. The consequences* were disastrous." (Porter, 1985, p17). The trouble with this proposition is that it is not true. Porter is wrong in his account of why Laker failed, and many successful firms are stuck in the middle.

Every Sainsbury van has "Good food costs less at Sainsbury" painted on the side. Is Sainsbury's problem today that it is stuck in the middle? And Sainsbury is not alone. The above table drawn from the PIMS database, shows how return on investment relates to strategic position. The stuck in the middle position – medium cost/medium quality – in fact does *slightly better* than the clearly focused choices of high cost/high quality or low cost/low quality.

So what does a guru do when faced with the prospect of an own goal? You shift the posts. Perhaps don't be stuck in the middle means not that you must choose one or the other, but that if you don't succeed at something you will fail.

Confronted by the Sainsbury van on British television, Porter argued that since Sainsbury was not a delicatessen, it *must* be a low-cost competition. Yet if "good food costs less" is not a strategic position which is stuck in the middle, it is hard to know what is. Perhaps all "don't be stuck in the middle" means is that it's good to be good at something.

You can find support for that version from Porter as well. "The firm failing to develop its strategy in at least one of three directions – a firm that is stuck in the middle – is in an extremely poor strategic situation." That, at least, is true. If you look at the table, you see that firms which have high cost/low quality, don't do very well, and indeed that the best situ*ation to be in is to achieve high* quality at low cost. But while it is useful to have one's intuitions confirmed, I already knew that.

The version of stuck in the middle that is true – you won't succeed if you're not good at something – is so nearly tautological as to be hardly worth enunciating. The version of it that has significant content – that you cannot pursue both cost reduction and product differentiation – is clearly false. There are obvious dangers in confusing one with the other. That is why clarity of terms and precision of concepts are essential precursors to worthwhile knowledge on any subject.

*Dr Joad* was not simply pedantic when he argued that it all depends what you mean by market share, quality, or being stuck in the middle. It does.

*M Porter Competitive Advantage (1980) Competitive Strategy (1985) The Competitive Advantage of Nations (1990).*



LEGAL NOTICES

The High Court of Justice, 1996 No. 003420 of 1996
Chancery Division Companies Court
IN THE MATTER OF
GEC - MARCONI SONAR SYSTEMS LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT, 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 30th April 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the Company by £84,648,653.

AND NOTICE IS HEREBY GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London, WC2 2LL on Wednesday 22nd May 1996.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated the 7th day of May 1996

Slaughter and May,
35, Basinghall Street,
London, EC2V 5DB.
Tel: 0171-600 1200
Ref: RLH

No. 002059 of 1996
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF
FAIRWAY GROUP PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 11th day of April 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above named Company by £5,590,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Companies Court Registrar at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday, 22nd May 1996.

ANY CREDITOR or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of the share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

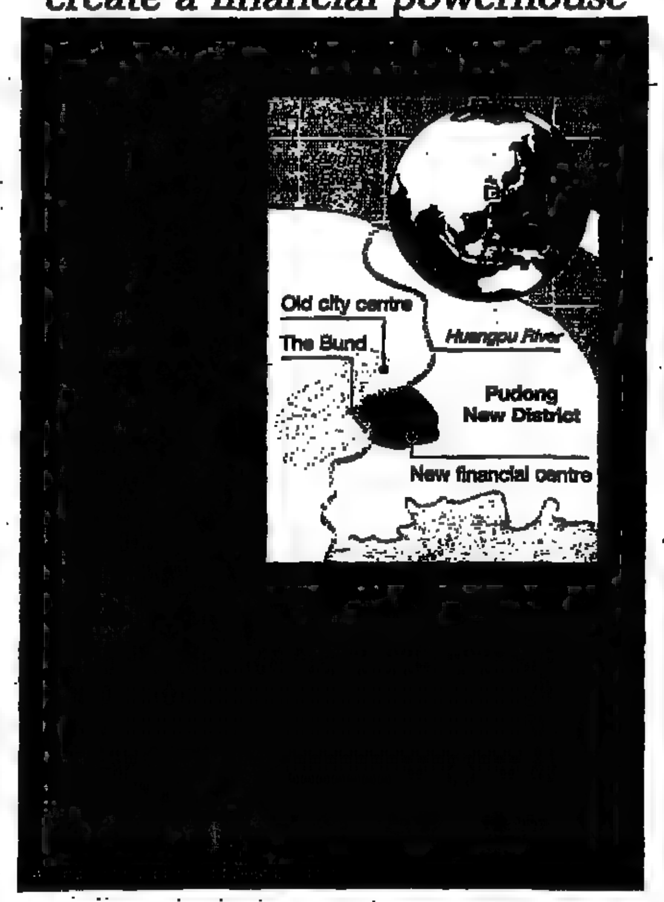
Dated this 10th day of May 1996

ASHURST MORRIS CRISP
Broadwalk House
5 Appold Street
London EC2A 2HA
Tel: 0171 638 1111 Fax: 0171 972 7990
Ref: HM/U/F64600061/158641
Solicitors for the said Company

THE PROPERTY MARKET

# Shanghai's high hopes

**Tony Walker** on ambitions to create a financial powerhouse




Mr Tomoshige Yamada, general manager of the Mori group's Shanghai World Financial Centre gestures from his office on the west bank of the Huangpu river across the busy waterway to a giant construction site.

It is there, he says, that his company plans to construct the world's tallest building at a cost of about $1bn (£664m).

Mori, the Japanese property company, is confident Shanghai's Pudong development area, a 520 sq km zone on the east bank of the Huangpu river, will become one of the world's great business centres.

*But Mr Yamada is under no* illusions about difficulties involved. These range from inadequate infrastructure to a potential glut of office space.

Mori's strategy, he says, is to provide quality office space in a city where such accommodation is still at a premium and likely to remain so until the turn of the century.

"What exists, or is under construction, are good buildings, but they are still inferior according to our standards," he says.

But construction activity in Shanghai is so intense that it *is difficult to predict how the* market will evolve.

Shanghai's business districts, which straddle the east and west banks of the *Huangpu, boast 300,000 sq m of* good quality office space.

Within three years that figure will rise to 3m sq m with 60 per cent of the increase in the Pudong area. Oversupply is already becoming a headache for developers and this is reflected in a drop in rentals.

Mr Yamada said that from a peak in 1994-95 of $3.20 daily per sq m in a premium property like the Shanghai Centre, rents *were down to $2.50 from $2.80.* Mori itself was working on rents of $1.4 a day for the first of its two buildings in Pudong.

The bulk of construction in Pudong is located in the Lujiazui Finance and Trade zone, a 28 sq km area across the river from Shanghai's famous bund, or waterfront embankment, home in pre-revolutionary days to banks and trading houses.

Shanghai's most visible landmark, its telecommunications tower, and other large structures such as the new Shanghai Stock Exchange, have risen rapidly from what was once a no-man's-land of decaying godowns and ship repair yards.

According to Mr Yan Nanhai, assistant manager of the Shanghai Lujiazui Finance and Trade Zone United Development, which is developing the site, some 100 office building are under construction or have *been completed.*

This involves 4.6m sq m of mixed-use accommodation, of which about 60 per cent is office space, 20 per cent residential, 14 per cent retail, 4 per cent for hotels and 2 per for entertainment. In all, 29 buildings have been completed, or 21 per cent of total floor space.

By 2010, Shanghai plans to have 20m sq m of office space available on both the east and west banks of the Huangpu. This compares with New York's 29.6m sq m and London's 14.4m sq m.

The figure gives some idea of the city's ambitions to be a powerhouse in east Asia.

Mr Yan disputed reports of weak demand for completed office space in Pudong, saying "we're quite satisfied with developments".

About 52 per cent of available space had been leased and this was a respectable response given the early stages of Pudong's development and lack of infrastructure, he said. Among Pudong's current problems is access. Traffic often jams the two bridges and two tunnels connecting the area with Shanghai proper.

By next century seven tunnels and three subway lines are planned linking the east and west banks, with the first of the subway lines to be completed by 1998.

Until a subway and additional tunnels are completed, though, congestion will be a drag on development and real estate prices.

But in their efforts to bolster Pudong as the "dragon head" of the Yangtze river delta and valley, the central government is sparing little expense.

In the Ninth Five Year Plan (1996-2000), Beijing has committed Yn94.9bn ($11.3bn) to projects that include a power plant, port, subway, railway and international airport: the latter is due for completion by early next century and will make a huge difference to facilitating access to Pudong.

The authorities, who have extended tax holidays and other privileges to foreign-funded enterprises in Pudong, are also encouraging foreign banks either to move their *Shanghai headquarters* there or establish sub-branches.

The reward for such a move would be a coveted licence to conduct business in local currency. Foreign banks are presently excluded from yuan business throughout China.

Mr Wang Xiaoguang, vice-director of the Shanghai Housing and Land Administration Bureau, said his office had been "slowly restructuring" the real estate market because of concerns about oversupply.

In 1993, for example, the *bureau had stopped leasing* land for villa construction. Now it was watching the office market carefully, but Mr Wang did not perceive a serious glut at this stage.

"There is a decline in the real estate market, but it is not so serious yet," he said.

He noted there was a boom in leasing of land for factories. In 1992 only 2 per cent of land leased in Shanghai was for factory construction. In 1995 that figure had risen to 84 per cent, reflecting the city's rapid development as a base for foreign-funded manufacturing ventures.

Western real estate representatives, involved in marketing office space in Pudong, said the response among foreign companies had been positive.

Mr Jeremy Seabridge, chief representative of Macquarie Property China, a division of Australia's Macquarie invest*ment bank, said Beijing's* support for Pudong should "provide a recipe for success".

Mori, judging by its commitment to Pudong, would agree with this assessment. If nothing else, the planned 460 m 95-storey Mori tower, with its sculpted outline and aerody*namic hole to reduce* wind drag, will help put Pudong on the international map.

# The rise and rise of the garden gnome

## Some gardens yield an unlikely crop. **Susan Moore** reports on the growing market for ornamental statuary

Only in the past 15 years have the contents of gardens come under the same scrutiny as the contents of houses. A shock of the late 1980s was the discovery that crumbly, lichen-covered stone statuary or bronzes streaked with verdigris in half-hidden arbours could be highly important – and phenomenally valuable – works of art.

In 1989 an early 17th-century bronze figure of a dancing faun by Adrien De Vries, court sculptor to the Emperor Rudolf II, which had been consigned to a Sotheby's garden ornament sale in Sussex, was recognised by the firm's sculpture expert, plucked from the sale and sold with a blaze of publicity in London for £6.8m. It was by far the most expensive piece of sculpture ever sold at auction, and is now in the Getty.

A marble "Fata Morgana" was spotted at a Christie's garden sale at Wrotham Park, bought for a song by dealers Pat and Alex Wengraf, re-attributed to De Vries' master, Giambologna, and re-offered to the world after restoration for several million.

Exceptional pieces seemed to crop up in the most unlikely gardens. In the grounds of a prep school, for instance, I discovered two unknown 18th-century marble Saxon gods made by Rysbrack for Lord Cobham's great garden at Stowe. Miraculously they were spared the obvious fate of most impromptu cricket stumps. The finer of the two now looks less at home in the sculpture court of the V&A.

It was in the boom years of the 1980s, of course, that a large number of country houses changed hands, bringing new owners with the funds to regenerate historic gardens or create new ones.

The number of specialist dealers in antique garden ornament grew. The problem now, according to one of the new men, Baron Sweerts de Landas Wyborgh, who offers "everything for the garden that is not a plant", from the grounds of his Surrey home, is that "the supply of good things has almost completely dried up. I spend more and more of my time hunting, ducking and diving in order to find the kit." His pursuits invariably now lead to Europe.

Lindy Seago, of Pimlico-based Seago, in south London, probably the most academic of the new specialists, has also noticed a marked change in taste. "Eight or nine years ago our clients wanted marble. After the recession everything changed. People now want less showy pieces in stone or lead. They also want something that looks as though it has been in their garden forever."

Gone along with the stupendous prices of the 1980s and the seemingly limitless supply, are the recurring horror stories of thefts of valuable garden ornaments – tales of midnight raids and weighty urns and statues crudely hacked off supporting bases. Immediately after the Rysbrack find was published, for example, the figures disappeared and were only discovered in roadside ditches the following morning thanks to posses of little boys in caps. Presumably they had been left there for dead-of-night collection.

"Too few people knew quite what they had in their garden," says Lindy Seago. "Now there is far greater public awareness, and the number of thefts appears to be diminishing. All the alarm companies now offer systems that can link garden statuary with the house."

Undoubtedly the greatest threat to garden sculpture and ornament remains the depredations of the elements, particularly where rainwater is polluted by corroding sulphur dioxide. Carved detail looses its crispness, and any water that penetrates a damaged surface and freezes causes fracturing and splitting.

Needless to say, all those encroachments of nature favoured by the romantic gardener – lichen, overhanging greenery and creepers – spell doom for antique stone and metalwork. Finer pieces tend to be brought indoors for good or boxed in winter.

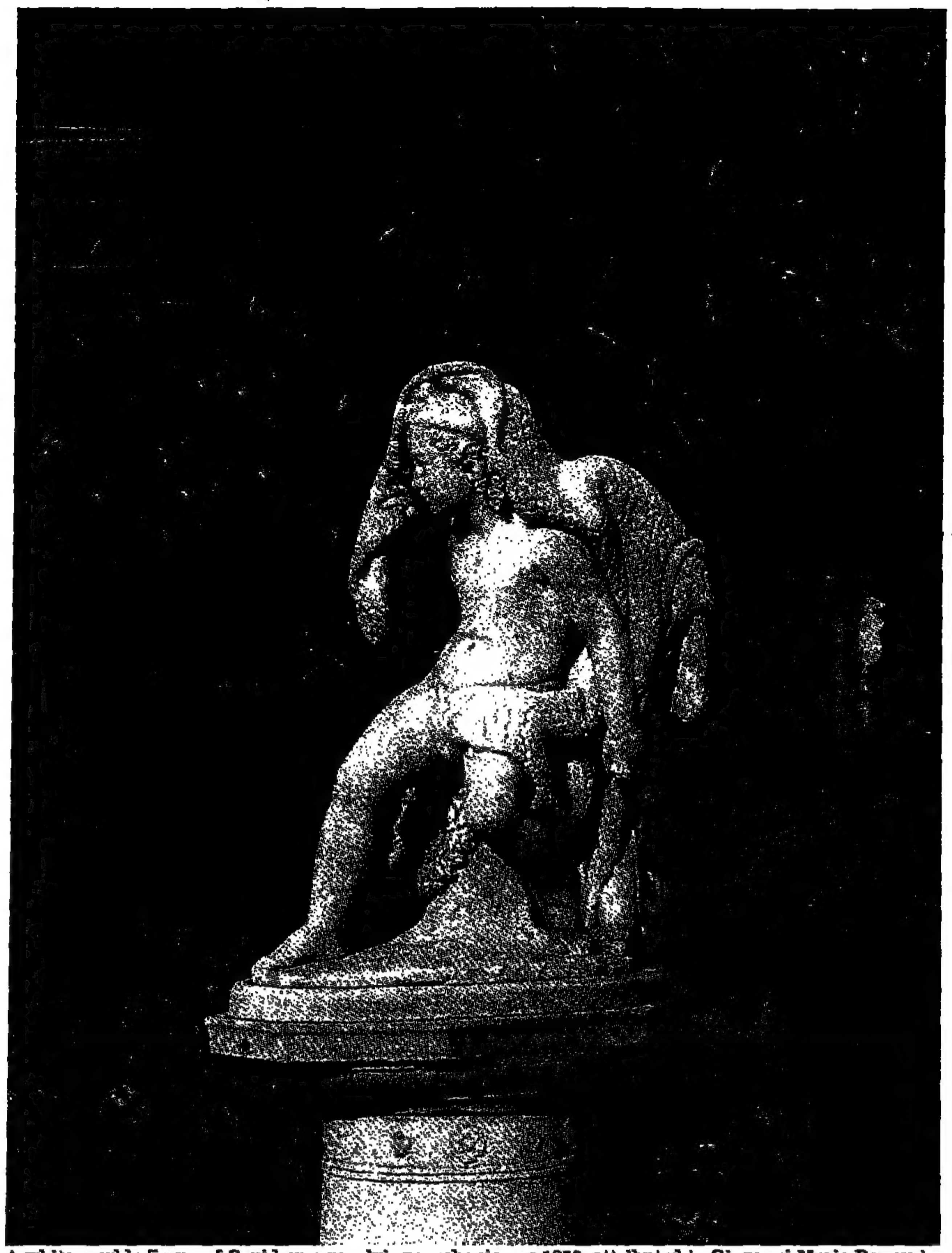
What could be found today on the market at any one time might range from monumental garden benches from Versailles to up-market gnomes and Victorian faeries. Christie's next month could even supply you with a life-size rhino and gorilla (estimate £10,000-£15,000 each). The company's Philip Belcher says there is continuing popularity for gazebos and temples, good stone and cast-iron urns, particularly pairs, English 18th-century lead figures and pieces in Coade stone, a fired artificial stone renowned for the exceptionally high quality of its detailing.

Seago, for instance, has most things from a 19th-century stone lion fountain mask for £350 to a 5ft high version of the Borghese Centaur attributed to Bartolomeo Cavaceppi, the 18th-century Italian sculptor better known for his restoration of antiquities. They will be on show at Grosvenor House next month.

From Dolf Sweerts de Landas' delightfully wild and gradually-to-be-restored garden at Dunsborough Park, Ripley (ring 01483-225366 for an appointment) one could pick up a 19th-century cast-iron urn, a late 17th- or early 18th-century limestone grotto fountain, or a set of French limestone busts of the Four Seasons for £130,000. He is also exhibiting at Olympia next month.

Oldest of all the London dealers is Crowthers of Sion Lodge. Here they offer anything from a pair of Japanese stone door gods at £18,000 to massive 19th-century stone lions after the magnificent "Sleeping and Waking Lions" carved by Canova for Pope Clement XIII's monument in St Peter's. Perhaps FT readers might prefer their 18th-century German sandstone Mercury in his guise as God of Commerce.

On May 21 and 22, Sotheby's Sussex tempt browsers with a set of four Vicenza stone faun musicians (estimate £3,000-5,000). Last year's cheapest lot was a modern composition stone bust of Shakespeare, after Scheemakers, a snip at £46. Highlight of the garden sale at Bonhams Chelsea on the May 23 is a kneeling lead blackamoor. Attributed to the workshop of John Van Nost the Younger, he bears a bronze sundial and an estimate of £8,000-12,000.



A white marble figure of Cupid on a revolving mechanism, c.1850, attributed to Giovanni Maria Benzoni

Theatre/**Ian Shuttleworth**

# Responses to Nuremberg

As the first of the former Yugoslavian war crimes trials commences in The Netherlands, the Tricycle's artistic director Nicolas Kent reunites with Guardian writer Richard Norton-Taylor (who in 1994 edited the proceedings of the Scott Inquiry for Kent to stage) for this distillation of the 1945-46 trails at Nuremberg of leading Nazis.

Where the Scott production, *Half the Picture*, was an implicit condemnation of a certain political mentality, Nuremberg inevitably raises more fundamental moral questions, the more so as the trial extracts have been linked to a number of *Responses*, playlets addressing the issues around more recent atrocities in Haiti, Rwanda and former Yugoslavia. (On Mondays to Thursday, one of the trio is staged; on Fridays and Saturdays, all three.)

The three *Responses* suffer from the common problem that they necessarily locate themselves on the periphery of monstrous events and so, contrary to the basic precept of drama, they must tell rather than show.

Although Femi Osofisan constructs an individual confrontation between a Hutu and a Tutsi in *Rwanda*, and Goran Stefanovski leavens his *Ex-Yu* with cynical black humour, the scenes bring little new either to the big issues or the human picture within them. Awful as it is to admit, they even induce a kind of morality fatigue. An audience grown habituated to living with what German philosopher Karl Jaspers (in the compendious programme notes) calls "metaphysical guilt" will not have that feeling sharpened any more by the *Responses*.

It seemed at first that the effect of presenting *Nuremberg* after these moral updates would be less a case of closing the stable door after the horse had been shot than of reminiscing about the days when the stable even had a door.

However, Norton-Taylor's editing and Kent's staging have created a piece which is both dramatic and thought-provoking. The trials are staged complete with stenographers and translators, with individuals unobtrusively entering and leaving Saul Radomsky's set as they would over a prolonged set of hearings. Kent has woven a detailed background fabric which finely complements the adversarial exchanges between prosecutors and defendants.

*Norton-Taylor has selected four of the 22* accused: Hermann Goering (Michael Cochrane), against whose contemptuous self-confidence the grandstanding bluster of American prosecutor Jackson founders; Field-Marshal Wilhelm Keitel (William Hoyland), the epitome of a noble Prussian general whose code of obedience proves inadequate when enlisted in the service of such evil; the Nazi party philosopher Alfred Rosenberg (Jeremy Clyde), whose desiccated intellectualism springs into life in defence of his odious theories; and minister of armaments Albert Speer (Michael Culver), who seems seized by a compulsion to confess and atone for his part in the Nazi machinery.

In addition, the testimony is included of Auschwitz commandant Rudolf Höss, played by a wonderfully affectless Thomas Wheatley, whose dispassionate account of his role in dispatching a million and a half souls would, the defence counsel hoped, lessen the defendants' offences in comparison.

Norton Taylor also falls prey to the trap of recounting at length his decision to let British chief prosecutor Sir Hartley Shawcross recite an account of a mass shooting in the Ukraine. However, it is an inspired move to close not with the verdicts and sentencing (which are simply projected onto a screen), but with Speer's final personal statement to the tribunal – the chillingly prophetic observation that a Hitler could succeed in propagating his schemes because of technological developments such as telecommunications and broadcast media, ending with the words, "May God protect Germany and the culture of the west." As the *Responses* make clear, He did not.

**At the Tricycle Theatre, London NW6 until June 8 (0171 328 1000)**

Ballet

# Wildor makes Anna her own

The central truth of *Anastasia* is not that Anna Anderson was Anastasia. Kenneth MacMillan knew that she was not the Grand Duchess, and it was one of the odder triumphs of his original Berlin version, and of Lynn Seymour's incarnation of the title role, that the audience believed she was Anastasia. (A theatre full of Romanovs would have believed in Seymour at curtain-fall as she circled the stage on her bed).

The ballet's belief – and it was one stressed in the production made for Covent Garden in 1971 – was that identity is fragile, that in an alien and alienating world, a Freudian world, the quest for self-understanding can be a terrifying thing. The two "real" acts that open the 1971 staging are what Anna Anderson should have remembered. They explain and justify what haunts her in the Berlin hospital scene. They are among the few happy dreams she might have had if she were truly Anastasia.

It is this question of memory that is so well suggested in the new staging, which I saw again on Tuesday night when Sarah Wildor appeared as Anastasia. Bob Crowley's designs are like hallucinations placed within the grey and enclosing walls of Anna's memory which we see in Act 3. Understanding of what happens must be of dream-like sequences. Childhood recollections are often of unchanging states: radiantly still summer days; the cliché of an endlessly white Christmas. Hence the almost becalmed beauty of MacMillan's first act, dominated by the Imperial family's emotional closeness and simple pleasures, shot through with those darker intimations of the Tsarevich's illness and Rasputin's menace.

To suggest this, and to show off the Royal Ballet as an ensemble, MacMillan produced a flood of classical invention for the Tsar's daughters and for the officers on board the Imperial yacht. The dance – with its combined bravura and lyricism – is an idealised view of behaviour: Anastasia's world as a place of physical clarity and brilliance. Amid the panache of the second act court ball, Anastasia is observer more than player: memory has become uneasy, and the young woman is confusedly aware that her world is more fraught. MacMillan is leading us towards the Berlin scene by subtle means: we sense causes for Anna Anderson's distress.

It was greatly to Sarah Wildor's credit that her first appearance as Anastasia on Tuesday should have so acutely caught these matters. That she is a most gifted dance-actress we have known for several years: her first Juliet marked her as an intuitive MacMillan artist. The child Anastasia she presented with entire conviction and delicately stated feeling. The young woman of Act 2 was equally well done as she questioned life, and suddenly questioned the relationships within her family – her dancing throughout these acts effortlessly expressive. But it was as Anna Anderson that we saw her qualities at full stretch. Everything in the choreography still shouts of Lynn Seymour's torso, of her legs and feet, her astonishing variety of pace and dynamic. Sarah Wildor buries herself in the text – movement seems absolutely natural, true, uncalculated – and finds Anna Anderson. It is her Anna. It is MacMillan's Anna, and it is a tremendous debut.

The surrounding interpretations seemed to me, as on the first night, largely splendid. Genesia Rosato was fine-drawn Tsarina, and the Grand Duchesses in both casts are beautiful in manner as in dancing. I do not think that Rasputin has yet been given sufficient weight in performance: he was darker and more brooding in the earlier staging. And, as a fashion note, it would have been wholly unlikely for Mathilde Kshessinskaya – ballerina assoluta and lover of jewels – to have appeared in performance wearing what looks like a piece of brown string laden with a single cairngorm round her neck. *A triple row of large and determinedly real diamonds her was minimum outfit* for the stage: her several Grand Ducal admirers made sure of that!

**Clement Crisp**

# INTERNATIONAL ARTS GUIDE

## ■ AMSTERDAM

**CONCERT**
**Concertgebouw**
Tel: 31-20-5730573
● Nederlands Philharmonisch Orkest: with conductor Ken-Ichiro Kobayashi and pianist Sergey Pashkevich perform Liszt's Piano Concerto No.1 and Tchaikovsky's Manfred Symphony; 8.15pm; May 13, 15, 17

## ■ BERLIN

**OPERA**
**Staatsoper unter den Linden**
Tel: 49-30-2082861
● Der Rosenkavalier: by R. Strauss. Conducted by Donald Runnicles and performed by the Staatsoper unter den Linden. Soloists include Tina Kiberg, Günter von Kannen and Iris Vermillion; 6.30pm; May 14

## ■ BIRMINGHAM

**CONCERT**
**Symphony Hall**
Tel: 44-121-2002000
● The Birmingham Schools Symphony Orchestra: with conductor Peter Bridle and violinist Tasmin Little perform works by Berlioz, Sibelius and Dvorák; 7pm; May 12

## ■ CHICAGO

**THEATRE**
**The Goodman Theatre**
Tel: 1-312-443-3800
● A Touch of the Poet: by Eugene O'Neill. Directed by Robert Falls. The cast includes Pamela Payton-Wright, Jenny Bacon and Brian Dennehy; Tue - Thu, Sun 7.30pm, Fri, Sat 8pm, Thu, Sat, Sun also 2pm; to Jun 8

## ■ COLOGNE

**CONCERT**
**Kölner Philharmonie**
Tel: 49-221-2040820
● Kölner Philharmoniker: with conductor James Conlon, pianist Alfred Brendel and the Gürzenich-Orchester perform R. Schumann's Symphony No.3 in E flat major, Op.97 and Piano Concerto in A minor, Op.54; 8pm; May 11
**OPERA**
**Opernhaus** Tel: 49-221-2218240
● Serse: by Handel. Conducted by Graeme Jenkins and performed by the Oper Köln. Soloists include Jeanne Piland, Brian Asawa and Nina Stemme; 7pm; May 11

## ■ COPENHAGEN

**FESTIVAL**
**Det Kongelige Teater**
Tel: 45-33 14 10 02
● International Ballet Festival: featuring performances by the Roland Petit Ballet, Maurice Béjart Ballet, Kirov Ballet, Royal Ballet and the Royal Danish Ballet; 8pm; from May 13 to May 31

## ■ LONDON

**CONCERT**
**Barbican Hall** Tel: 44-171-6388891
● The London Symphony Orchestra: with conductor Mstislav Rostropovich and violinist Maxim Vengerov perform works by Britten, Tchaikovsky and Prokofiev; 7.30pm; May 12
**Purcell Room** Tel: 44-171-9604242
● François Le Roux: performance by the baritone, accompanied by violinist Stephanie Gonley, cellist Jean-Guihen Queyras and pianist Roger Vignoles. The programme includes Debussy's Trois Chansons de France, Cello Sonata and Trois Ballades de François Villon; 7.30pm; May 12
**Royal Festival Hall**
Tel: 44-171-9604242
● The BBC Symphony Orchestra: with conductor Tadaaki Otaka and pianist Minoru Nojima perform works by Lyadov, Matsumura and Rachmaninvov; 7.30pm; May 11
**DANCE**
**Royal Opera House - Covent Garden** Tel: 44-171-2129234
● Anastasia: a choreography by Kenneth MacMillan to music by Tchaikovsky and Martinu, performed by The Royal Ballet. Soloists include Viviana Durante, Miyako Yoshida and Bruce Sansom; 7.30pm; May 13, 15 (also 2.30pm), 17

## ■ MADRID

**EXHIBITION**
**Museo Nacional del Prado**
Tel: 34-1-4202836
● Goya: retrospective exhibition devoted to the Spanish painter Francisco de Goya (1746-1828), in celebration of the 250th anniversary of the artist's birth; to Jun 2

## ■ MILAN

**CONCERT**
**Teatro alla Scala di Milano**
Tel: 39-2-72003744
● Nathalie Stutzmann: accompanied by pianist Inger Soedergren. The mezzo-soprano performs songs by Schubert, R. Schumann and Brahms; 8pm; May 13

## ■ NEW YORK

**EXHIBITION**
**Guggenheim Museum Soho**
Tel: 1-212-423-3840
● Abstraction in the Twentieth Century: Total Risk, Freedom, Discipline: landmark exhibition to examine abstract art from the beginning of the century to the present. On show are works ranging from abstract paintings made as early as 1912 by Kandinsky, Malevich and Mondrian to work made by Long and Stella on the occasion of the exhibition; to May 12
**Whitney Museum of American Art**
Tel: 1-212-570-3600
● Kienholz: A Retrospective: this exhibition presents the full range of Kienholz's own work and his 20 years of collaboration with his wife and partner, Nancy Reddin Kienholz. More than 100 pieces, ranging from intimate objects to house-scale environments, are displayed; to Jun 2
**THEATRE**
**Joseph Papp Public Theatre**
Tel: 1-212-539-8500
● The Striker: by Caryl Churchill. Directed by Mark Wing-Davey. The cast includes April Armstrong, Marc Calamia, Torrin Cummings and Jodi Melnick; Tue - Sat 8pm, Sun 7pm, Sat, Sun also 2pm; from May 12 to May 26

## ■ PARIS

**CONCERT**
**Théâtre des Champs-Elysées**
Tel: 33-1 49 52 50 50
● Alban Berg Quartet: perform Mozart's String Quartet No.16 in E flat, K.428 and String Quartet No.19 in C, K465 (Dissonanzen); 11am; May 12
**EXHIBITION**
**Galeries Nationales du Grand Palais** Tel: 33-1 44 13 17 17
● Corot: retrospective exhibition devoted to the work of this French painter of landscape and portraits (1796-1875); to May 27

## ■ ROME

**CONCERT**
**Accademia Nazionale di Santa Cecilia** Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: with conductor Daniele Gatti, pianist Andras Schiff and harpist Claudia Antonelli perform works by Brahms and Bussotti; 5.30pm; May 12, 13 (9pm), 14 (7.30pm)

## ■ THE HAGUE

**EXHIBITION**
**Mauritshuis** Tel: 31-70-3023456
● Johannes Vermeer: the first presentation ever devoted solely to the art of the Dutch painter Johannes Vermeer (1632-1675) presents 21 of the existing 35 works known to have been painted by this master who lived and worked in Delft; to Jun 9

## ■ VIENNA

**OPERA**
**Wiener Staatsoper**
Tel: 43-1-514442960
● Les Contes d'Hoffmann: by Offenbach. Conducted by Jun Märkl and performed by the Wiener Staatsoper. Soloists include Natalie Dessay, Soile Isokoski, Alain Fondary and Jerry Hadley; 6.30pm; May 11, 14 (7pm), 17 (6pm)

## ■ WASHINGTON

**DANCE**
**Opera House** Tel: 1-202-416-4600
● Dance Theatre of Harlem: perform the choreographies Pas de Dix by Petipa, Fall River Legend by DeMille, Wingsborne by Houlton, and Dougla by Holden; 8pm; May 10, 11 (also 2pm), 12 (2pm)
**EXHIBITION**
**National Gallery of Art**
Tel: 1-202-7374215
● Jan Steen: Painter and Storyteller: this exhibition of approximately 45 paintings by Jan Steen examines the range of subjects and styles in this Dutch artist's body of work; to Aug 18

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10.00
*European Money Wheel*
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17.30
*Financial Times Business Tonight*

**CNBC:**

09.00
*Squawk Box*

10.00
*European Money Wheel*

18.00
*Financial Times Business Tonight*

## Philip Stephens

# In a spending spin

### If UK taxes are to be held stable, let alone cut, and borrowing is to be reduced, there are no easy answers

If you have a *passing interest* in the outcome of the general election, watch carefully during the next few months the annual cabinet struggle over public spending. Tory divisions over Europe apart, this uniquely British ritual will define the ground on which *the election is fought.* It may also provide important clues as to the timing.

Any day now a familiar spate of stories will elbow their way on to the front pages. You can guess the headlines: Hospitals face axe in new spending squeeze; Treasury *to scrap maternity* pay; Road-building slashed (again) to pay for tax cuts; Tory Right seeks bar on overseas aid. Take your pick.

It is all part of the game. Each year the Treasury solemnly *declares that prudence* requires the public purse strings to be pulled tighter still. Each year the powerful Whitehall spending baronies retort that politics, the national interest, or just about *anything they can think of,* demands that the strings are loosened. As the battle spills from the corridors of power, letters are leaked, journalists briefed, confidences betrayed.

There is always as much *form as substance, more* posturing than principle, in this seasonal joust. Come the autumn, the buckets of synthetic blood are sponged from ministerial carpets. Fiscal rectitude is somehow squared with pork-barrel politics. Miraculously, by the time Kenneth Clarke stands up to deliver his November budget, everyone is a winner. And, hey presto, there is room after all for tax cuts.

*I suppose this* is a touch unfair to a process which has *dominated* the *life of* British governments ever since James Callaghan was obliged to call in the International Monetary Fund in 1976. Just a touch. John Major won the 1992 general election on the back of a public spending spree. The voters have since paid for its profligacy with the biggest tax increases in peacetime. One of *those Majorite lines, however,* has now been drawn. If you turn a blind eye to the odd off-balance sheet wheeze, the government has re-established a semblance of grip.

There are better reasons, though, to pay close heed to what happens this year. This particular set of negotiations is the last before the election. *It will mark out the campaign* dividing lines between Conservatives and Labour on the appropriate size and role of the state. It will also shape the inheritance of the next government, whether it is led by Mr Major or by *Tony Blair.*

But this year Mr Clarke may not be able to wait until November to deliver his budget. So, lest the prime minister is forced to fight the election this autumn rather than next *spring,* the Treasury has changed the rules of the game for the negotiations. Do not misunderstand. If they can avoid it, ministers have no intention of turning in their Whitehall limos before 1997. *But as one of his cabinet colleagues* remarked this week, Mr Major has not exactly had much luck of late. Plans must be laid for all contingencies.

Understandably, the Treasury wants to minimise the *ritual combat. It knows it* cannot prevent the embarassing headlines. But it can limit the damage by reducing the amount of acrimonious correspondence between William Waldegrave, the chief secretary, and his spending colleagues. The word has gone out that as little as possible should be put down on paper. The usual formal "bidding" letters to kick off the process – for long the source of some of the juiciest leaks – have been scrapped.

> Most of the Treasury's cash reserve has been earmarked for the slaughtering of mad cows and to finance a £1bn social security overrun

This year Mr Waldegrave will not send each of his colleagues a letter demanding illustrative cuts in their budgets of 5 or 10 per cent. Nor will he accept missives from them demanding an extra £5bn or so to keep the voters *happy. Instead, the cash* budgets already pencilled in for this year and next will be taken as the assumed ceiling for each department.

Spending ministers will be told that most of the Treasury's cash reserve has already been earmarked to pay for the slaughtering of mad cows and to finance a £1bn overrun in social security spending. So, more money for priority areas such as *health, education and the* police will have to be paid for by savings elsewhere. And if they really do want tax cuts, the *spending totals* will have to be lowered even further.

Even without a looming *election this would be a more* sensible way of doing business. Mr Waldegrave concluded as much last year when he received bids from the spending baronies which would have added an extra *£17bn to the £260bn total.* At the end of the day there were no increases. Instead the Treasury actually cut spending by several billion. A hell of a lot of ministerial energy was wasted in the process.

But it not escaped the notice of his cabinet colleagues that, *in simplifying and telescoping* the process, the chief secretary has opened up the option of an early budget, say in late September or October.

None of this will make the actual spending decisions any easier. For all the *idle* chatter on the Tory Right about taking the axe to Whitehall, there are few obvious options. The existing plans already envisage a real cut of 1 per cent in overall spending this year and increases of less than 0.5 per cent during the following two years. The Conservatives have never before delivered so fierce a squeeze. But if they want tax cuts, they will have *to draw the noose tighter still.* Public borrowing is overshooting. So the Treasury will insist that for every £1bn in tax cuts, spending must be reduced by £2bn. That really would be painful.

No doubt, Mr Blair's party will watch all this with delib*erate glee.* Old Labour will issue apocalyptic predictions of an end of the welfare state. Those who count themselves New Labour will speak in grandiose terms about how they would reshape priorities, or find convenient billions here to dispense more effectively there.

Chris Smith, the shadow social security secretary, took a step along that road earlier this week in what was billed *as a watershed speech on* the future of the welfare state. Some foresaw in Mr Smith's words a radical rewriting of past policy. I shall believe it when I see it. Of course it is important that Labour now *seems to understand that sim*ply dishing out cash to the poor does not add up to a sensible welfare policy. It is real opportunities, and above all job opportunities, that count.

But, *pace* Mr Blair, there is *nothing* New about the *notion* that those in receipt of benefits should acknowledge duties as well as rights. And the recent row in the shadow cabinet about child benefit reminded us that, when it comes to hard decisions, Labour is a good deal stronger *in principle than practice.*

The reality is that if taxes are to be held stable, let alone cut, and borrowing is to be reduced, there are no easy answers. And there is precious little room in the short to medium-term to shift the balance of spending priorities. *October or April,* the general election will not change that.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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### Need is for a greater commitment to work

*From Mr Richard L McDowell.*

Sir, Richard Donkin's review *of Michael Dunkerley's yet to* be released book indicates that he believes Dunkerley when he projects a future where people enjoy abundance and do not work in traditional terms (Recruitment: "Paradise lost and the Protestant work ethic", May 3). However, I *believe that* we are *confronted* with just the opposite need in our advanced technological societies.

We need to extend our commitment to work, rather than withdraw it. We already *have strong, bright people* walking away from work (we call it retirement) when we have apparently intractable social difficulties as well as "real" problems such as potholes and out-of-date organisations that plague us all. If that is not enough, we have environmental work to be done that we cannot describe adequately, let alone manage.

We need more robots and more work. I would think we *need to align our incentives to* keep more people working on problems that are all too untended. Fifty years isn't going to be enough to get the work done we know about, let alone that which will come along during that period.

**Richard L. McDowell,**
**dean,**
**School of Business and Economics,**
**Chapman University,**
**333 N. Glassell,**
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***California 92866-1032, US***

### Russia: a behemoth going own way

*From Mr Stefan Sullivan.*

Sir, One may agree with much of Martin Wolf's timely pre-election post mortem on Russia's transition to democracy ("How the west failed Russia", May 7) but the problem itself is wrongly *posed. Russia was never* the west's to fail.

On the one hand, western assistance was too unco-ordinated, incompetent and self-interested ever to do much good, at least, on the receiving end. Besides the obvious point that many *consultants hung around* like medical students who'd been taught the general cure for a disease but had no understanding of their patient's medical history, the principal mistake was to assume that post-Soviet Russia was some kind of ideological and economic El Dorado to be occupied by outsiders once the party lost control. In *fact, from* the beginning, the fate of *Russia, good or bad, was* determined by the Russians themselves.

From the local industrial bosses who jealously guarded their privileged access to under-priced assets to the sleek Moscow brokers, computer hacks and domestic appliance distributors who found trading with the west useful only because it offered higher mark-ups, the Russians have viewed foreign assistance more as a free hand-out for personal enrichment, rather than some *blessing they should shower* with gratitude.

True, macroeconomic stabilisation, democratic transparency *and capacity* building are necessary markers *along the path of transition.* But the real problem is that Russia, unlike Poland or the Czech Republic, has never seen itself as a developing country or a grateful junior member of a western club. It is a Eurasian behemoth that prefers to do things its way, no matter how Byzantine, bull-headed and downright barbaric this way *often* appears.

With or without the much-feared communist resurgence, Russia now looks set to go its own way.

**Stefan Sullivan,**
***66 Ave. de New York,***
**75016 Paris, France**

### BSE: missing link needs to be found

*From Mr Björn Fridfinnsson.*

Sir, The suspected precursor of the BSE, or *mad cow disease* – scrapie in sheep – reached Iceland in 1878 by the importation of an English ram from Denmark. The disease *became prevalent in a limited* area of Iceland for the next 70 *years, but it was kept under* control by stamping out flocks which contracted scrapie as soon as the disease was discovered.

Since the 1950s, outbreaks have occurred outside the *original area and have caused* considerable economic loss to farmers, but the disease has been kept under control by slaughtering infected flocks and keeping the farm or the farming area without sheep for some years, followed by thorough cleaning and *disinfecting of its* premises before re-stocking.

Attempts to eradicate the disease completely from Iceland have, however, not been successful, probably due to an unknown carrier of the disease between animals.

The *University of Iceland's* institute for experimental *pathology at Keldur has* for decades carried out extensive research on scrapie in co-operation with other research bodies.

Recent findings indicate that the missing link might have been *identified as* being hay mites. Another recent development in this field, according to Icelandic press reports, is a possible development in the US of a scrapie test.

Press reports about BSE reveal that there are serious *deficiencies in the knowledge* of the disease, how it spreads between animals and what kind of measures will suffice to eradicate it.

If the Icelandic scrapie experience is applicable to BSE in the UK, there might be an unknown carrier spreading the disease between animals and a *large-scale stamping out of* herds might not be sufficient.

A crash programme to develop a BSE test and selective culling based on the application of such a test, plus an extensive search of possible carriers of the disease between animals, seems to be necessary if the disease is to be brought under control in the UK.

**Björn Fridfinnsson,**
**Het Veldeke 13,**
**1970 Wezembeek-Oppem,**
***Belgium***

### Clearly, the old boys' network is still alive and well. . .

*From Ms Judith Hoyles.*

Sir, I note than many of your readers (*Letters, May 7*) reacted strongly to Martin *Wolf's* piece ("*Jobs for the* boys", April 30). Maybe I will therefore not be the only reader to wonder why I am being informed that BA's marketing director, who has just resigned ("Head of *marketing quits BA", May 8*), "played football for England schoolboys and, later, Oxford United"? The old boys' network is obviously still alive and well at the FT.

Please do not take this as a *desire to be told, in an attempt* to promote equality, which netball teams senior women executives might have played for.

**Judith Hoyles,**
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**06470 Mexico D.F., Mexico**



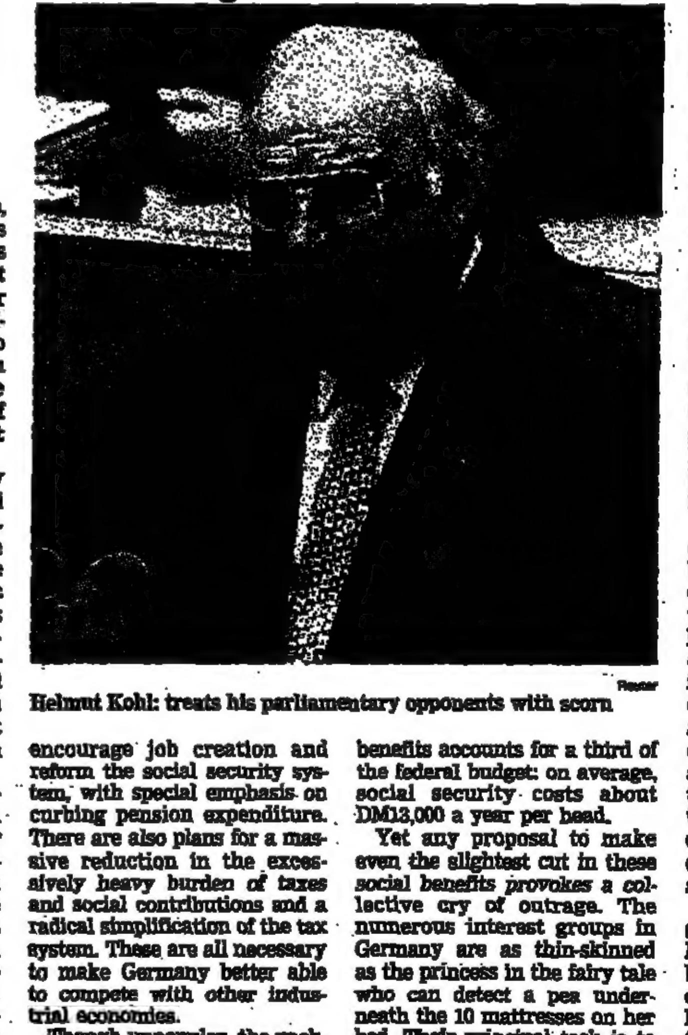
## Europa · Otto Lambsdorff

# Four more years at the helm

### It is essential that Chancellor Kohl stays in office to see through his economic package

Two weeks ago, Jochen Thies argued in this column that it was time for *Chancellor* Helmut Kohl to step down from office on the grounds that his domination of the political scene was not good for German democracy.

In the *past, I* have had my differences with Mr Kohl and *publicly criticised* his leadership – most recently because he hesitated far too long before tackling Germany's economic problems. But now he has announced a package of measures to deal with those problems, *I believe it is essential* for Germany that Mr Kohl stays at the helm for at least another four years to see them through.



Helmut Kohl: treats his parliamentary opponents with scorn Reuter

Stage-managing German unification has already secured a place in the history books for Mr Kohl – together with Hans-Dietrich Genscher, foreign minister at the time. In the post-unification years, he has focused on prominent foreign policy issues which tend to promise *little bother* and a good press. Like other statesmen, he was convinced that taking the spotlight on the international stage would make problems at home appear small and insignificant.

*But* the German economy is now so feeble, the tax burden *so oppressive* and *the number* of jobless so great that not even the chancellor can turn a blind eye to it. The government has scaled down its estimate for growth in gross domestic product for the first half of 1996 to 0.75 per cent. Last year, it forecast a rise of *more than 2 per cent.*

Unemployment has risen steadily, with *about* 4.5m *now* out of work – roughly 10 per cent of the workforce. Germany's budget deficit for 1996 will again fall short of the Maastricht target of 3 per cent of GDP for entry into economic and monetary union.

Mr Kohl's package of economic measures will cut public spending at federal and state *level by about DM25bn ($16bn),* encourage job creation and reform the social security system, with special emphasis on curbing pension expenditure. There are also plans for a massive reduction in the excessively *heavy burden of* taxes and social contributions and a radical simplification of the tax system. These are all necessary to make Germany better able to compete with *other* industrial economies.

Though unpopular, the package is urgently needed. It has provoked outcries from the Social Democratic opposition and the unions, but it is something *that* will ultimately *have* to be accepted either in its *present form or* in a *similar* one. If it is defeated by pressure from those fearing progress and reform, Germany will be unable to keep up with the leading world economies. At home, rising unemployment could pose a considerable threat to Germany's democratic stability.

Chancellor Kohl has recognised these *dangers and* adopted the correct response with his package – although pretty late in the day. Economy, moderation and going without are virtues that Germans find difficult to accept. People have grown used to steady economic growth prosperity and – in some instances – lavish standards in social *security. Spending on social* benefits accounts for a third of the federal budget: on average, social security costs about DM13,000 a year per head.

Yet any proposal to make even the slightest cut in these *social benefits provokes a col*lective cry of outrage. The numerous interest groups in Germany are as *thin-skinned* as the princess in the fairy tale who can detect a pea underneath the 10 mattresses on her bed. Their *principal* task is to make sure everything stays the way it is – even though the world is changing fast.

I believe Mr Kohl is the right man *to* see the package through. He knows that the *next federal elections* in 1998 will not be decided on foreign-policy issues. What is really important for victory is lower taxes and fewer unemployed.

He is also aware that the governing coalition of the Christian Democratic Union, its Bavarian sister party the *Christian Social Union and* the liberal Free Democratic party *has the best chance of remain*ing in office if he remains candidate for the chancellorship.

Mr Kohl has not yet said whether he intends to run for another term. He is, of course, much too shrewd for that. He wants to be asked.

Only when cries of "Play it again, *Helmut!*" are heard sufficiently loudly from the ranks *of his* party will he *set aside* his apparent reservations and, as if prompted only by selflessness, enter the fray once more.

And who else could do it? *The question of a successor is* still wide open. Apart from Mr Kohl there is scarcely any conservative politician who has the status required of a future chancellor. Among other things, this may be because nothing much can flourish beneath a mighty oak. When the *time finally* comes *for* a new generation to take over in the Christian Democrats, we can expect to see plenty of excitement and probably a good deal of infighting as well. But until that time, there can be no doubt about the authority wielded by Mr Kohl.

*It is true that he rules the* cabinet with an iron hand, bestowing favours on those he considers deserve them and letting others feel the weight of his wrath. And 14 years in office have evidently diminished his ability to take a detached view of his own actions – *criticism is not* welcome and he is said to be less and less amenable to constructive advice. In parliament, he treats his opponents with vitriolic scorn or drives them to desperation with a pointed *show of impassiveness.*

Yet although the mien of a gracious monarch which Mr Kohl *occasionally* adopts may be hard to take, he remains one of the last of the great leaders still active in interna*tional politics. So why should* he now leave the stage without any successor in his own party who could guarantee to match his political achievements?

The governing coalition has made errors, some of them *serious,* in the past. But the parliamentary opposition put up by the *Social Democrats* and the Greens is so feeble that their performance in government, were they allowed to take office, would presumably be even more miserable.

The only government with sufficient strength to master the challenges confronting Germany is the present coalition. And Helmut Kohl knows, too, that staying on *until* 2000 before retiring would be absolutely ideal for the history books.

*The author is a member of the Bundestag, a former economics minister and leader of the Free Democratic Party between 1988 and 1993.*

FINANCIAL TIMES
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Friday May 10 1996

# MFN is a must for China

Once a year the US has to decide whether to drop the economic equivalent of a nuclear bomb on its trade with China. The decision on whether to renew China's most-favoured nation status may sound boringly technical, but it is not. The damage done by failure to renew MFN treatment would be incalculable. For that reason, most sensible people assume it cannot happen. The worry is that it may.

Now China's exports enjoy the same tariff treatment as that accorded to other US trade partners. If China were to lose MFN status, however, US tariffs against its exports would become prohibitively high. Failure to renew MFN would be the commercial equivalent of open war. This would have devastating consequences for China, Hong Kong, foreign investors in China, and, not least, relations between the US and China. It would be particularly damaging to the position of those Chinese who favour international engagement and economic opening, while strengthening that of their more inward-looking and reactionary counterparts.

The administration understands these dangers. It is overwhelmingly likely therefore that, on or before June 4, it will recommend renewal of MFN. The risk, however, is not just that Congress may override President Clinton's decision, but that it may possess the two-thirds majority required to overturn the president's subsequent veto.

The reasons for this are obvious. Newt Gingrich may have come out in favour of renewing MFN, as, happily, did Senator Robert Dole, the Republican presidential candidate, in forthright terms yesterday. But China is in the dog house – over its bullying of Taiwan, human rights violations and trade surplus with the US. Immediately contentious is China's alleged failure to implement agreements on protection of copyright and accord market access to foreign producers of films, recordings, software and books which propose joint ventures with Chinese plants.

US irritation is understandable. But this could not excuse a blunder as serious as failure to renew MFN. A weapon so destructive and indiscriminate must not be used. The US must, instead, employ far more targeted instruments, which will succeed in making the necessary points, without sacrificing this hugely important bilateral relationship.

What is needed is, first, to differentiate trade complaints from other concerns, such as human rights. Commercial policy is not an effective instrument for dealing with wider worries. It should, instead, be targeted on trade, with a view to strengthening those forces within China attempting to open up the economy and establish the rule of law.

The second need is to approach trade in a more systematic way. This is why successful completion of the negotiations on Chinese membership of the World Trade Organisation is so important, since that would commit China to explicit steps towards opening up the economy. Furthermore, complaints against Chinese practices could then be made within the context of the WTO and be, correspondingly, much less humiliating for China to accept.

The danger is that US commercial relations with China will remain stuck in the annual cycle over MFN renewal. Alternatively, the focus of its efforts may be too narrowly on disputes in specific industries or, less justifiably still, on redressing the bilateral trade deficit. The overriding aim should be, instead, to cajole a reforming China into taking its position as a responsible great power. Everything else misses the point.

# US and Israel

The Clinton administration's uncritical support for Israeli actions over the past two months has compromised its role as "honest broker" between Jew and Arab. It is compromising Washington's Arab allies like Egypt, Jordan and Saudi Arabia, and could well compromise Israel's own strategic interests in the region.

With Israeli prime minister Shimon Peres facing a tight election this month, and President Clinton up for re-election in November, both men seem to have lost sight of their long-term aims in the Middle East peace process.

Mr Clinton has sought to make Israelis believe they can have security *and* peace with their Arab neighbours. Mr Peres has insisted on a "new Middle East" and "normalisation", with peace between peoples as well as governments. The strategy is right, the tactics increasingly are wrong.

For 17 days last month, Israel bombarded Lebanese people and infrastructure to deal with Hizbollah guerrillas. For two months it has blockaded the Palestinian territories to stop Hamas suicide bombers. These actions, supported by the US, have done little except turn Arab public opinion against "normalised" relations with Israel, and against Washington.

That hostility has grown after this week's UN report questioning Israel's assertion that its artillery massacre of over 100 Lebanese refugees at Qana on April 18 was an accident. Instead of recognising, like Britain, that Israel has a case to answer, US officials have blustered against the UN.

Nor does it serve Israel's interests to collude in US efforts to freeze France and Russia out of last month's "shuttle diplomacy" to end the Lebanese crisis. France has access to Iran, and Russia to Iraq, the two countries Israel sees as strategic threats. France, moreover, is now the toast of Arab leaders nervous at being too identified with Washington.

Fourteen Arab leaders went to the unprecedented March "anti-terror" summit in Sharm el-Sheikh, hastily assembled by Mr Clinton to shore up Mr Peres after the Hamas suicide bombings in Israel. Their intention was to say that terror should *not* be allowed to dictate the Middle East agenda. It was not to license a US-backed Israeli assault on Lebanon.

# Design matters

There are few artists, or artisans, whose work is deemed worthy of one centenary exhibition at the Victoria & Albert Museum in London; yet William Morris, the 19th century poet, painter, furniture-maker and socialist reformer, has had the honour of two. The first commemorated the hundredth anniversary of his birth in 1834, and the second, which opened this week, that of his death in 1896.

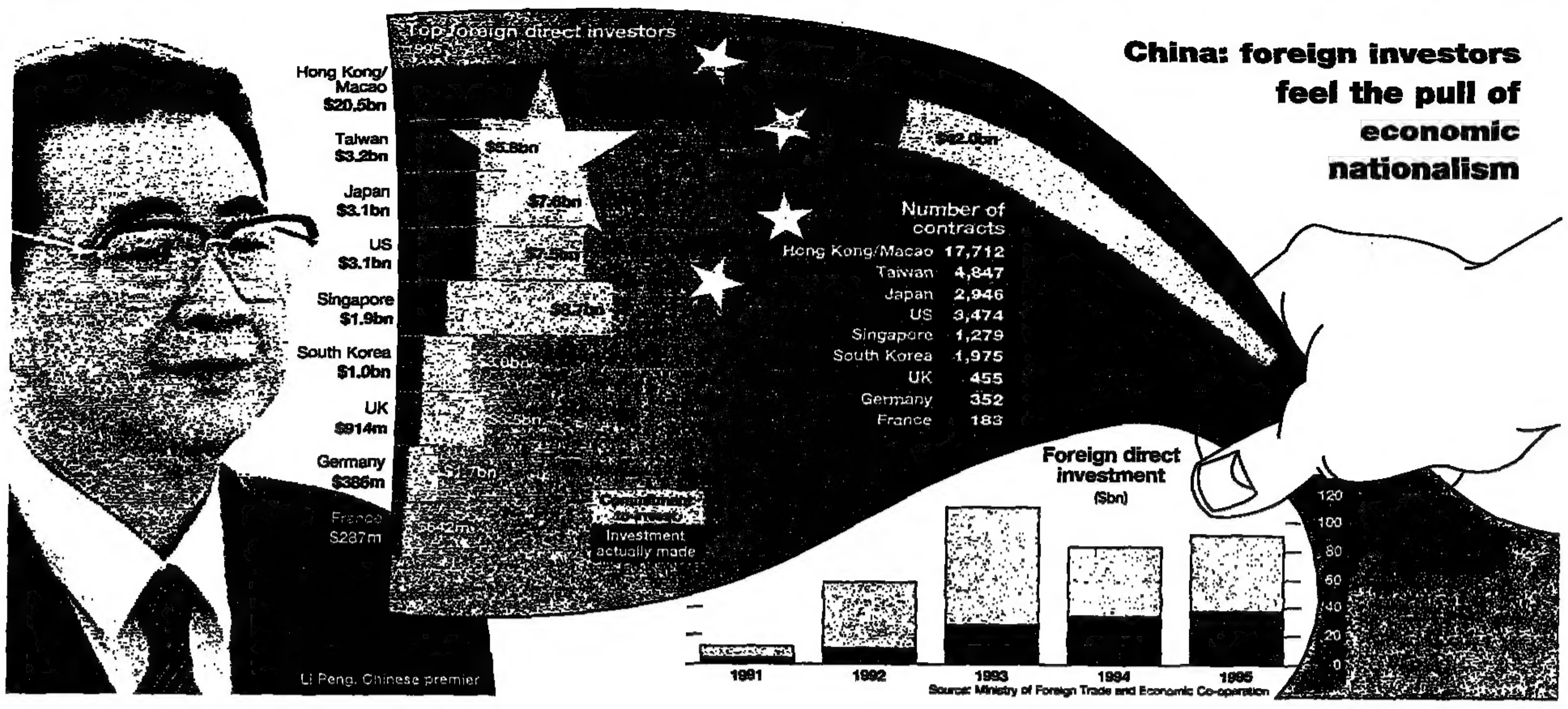
The wealth of affection and admiration for Morris is unsurprising. He is by far the most famous and arguably most popular designer that Britain has produced. The hand-crafted wooden furniture he made for his own home was snapped up by his contemporaries; and the vision of Morris's retreat from the urban industrial society he reviled to his rural idyll at Kelmscott Manor in Oxfordshire inspired the next generation of artists and intellectuals to embrace his ideals in the Arts and Crafts Movement. Even today, swathes of Britain are wallpapered and curtained by Morris's depictions of flora and fauna.

If all Morrismania amounted to was the engaging spectacle of a bearded bohemian with a flair for flowery patterns, his influence would be wholly benevolent. He could also be hailed as a founding father of the "heritage business" of Liberty prints, Laura Ashley smocks, admission tickets to stately homes and other totems of traditionalism, which is a significant source of exports and invisible earnings.

Yet there is another side to the William Morris legacy. His craft ideals and vehement opposition to industrialisation contributed to the creation of a cultural climate in Britain which has run counter not only to manufacturing industry, but to modernism.

It would be absurd to hold either Morris, or his mentor, John Ruskin, responsible for the decline of the UK's manufacturing sector. But their theories lent intellectual credence to the view that "trade" was a vulgar pursuit, an idea also reflected in the way that grander banks declined loans to manufacturers in the last century, and bright graduates eschewed industrial careers in this one.

The naturalistic imagery in Morris's designs have helped foster an aesthetic climate in which a nostalgic view of the rural past is favoured over a modernist vision. Hence British houses tend to be filled with stripped pine and prints, rather than contemporary furniture. And the talents of the industrial design graduates of the Royal College of Art, a few streets away from the Victoria and Albert Museum, have been put to commercial use by German and Japanese companies, rather than those that remain in the UK. It is right to take pleasure in Morris's work, so long as we recognise that design plays a central role in a healthy industrial economy.



Li Peng, Chinese premier

# Far less of an easy ride

## An unsettled political climate means China may be a more difficult place to invest for some time, say **Tony Walker** and **John Ridding**

Foreign business in China has experienced a roller-coaster existence since Beijing tentatively opened its doors in 1978. The past five years have seen a flood of new investment, but investors are now facing a less welcoming response from the authorities.

Some tax benefits for foreign investors are being phased out and Beijing is becoming choosier about the categories of investment it welcomes. Chinese enterprises are also more selective about prospective foreign partners and less prepared to give them control of joint enterprises.

The uneasy political climate, created by the protracted political transition to a new generation of leaders in place of the ailing Deng Xiaoping, appears to be contributing to a less receptive atmosphere.

Ms Anne Stevenson-Yang, chief representative in Beijing of the US-China Business Council, says China is "in the middle of one of its periodic downturns" for investors. "China's investment policy has taken a conservative turn and is generally less hospitable than it was a year or two years ago."

One move that has particularly unnerved foreign investors was the abrupt decision late last year to eliminate tax and duty exemptions on imports of capital equipment by foreign-invested enterprises from April 1. This will add as much as 40 per cent to the cost of new ventures.

Investors complain that not only was there little opportunity to discuss the implications of the new rules with the Chinese but the transitional arrangements are meagre. For projects up to $30m, exemptions on duty extend only to the end of this year, and on larger projects to the end of 1997.

"The measures themselves make it less attractive to invest in China, particularly in capital-intensive, high-technology projects," says the US-China Business Council. "But the secretive decision-making process has further created an atmosphere of volatility and confusion which confounds prudent business planning."

Other barriers have been erected by a series of directives designed to exert more effective controls on foreign investment and channel it into priority areas such as high-tech industries, agriculture, transport and energy. In keeping with a general lack of transparency, many of these directives do not see the light of day – but they create additional invisible obstacles.

Such changes reflect a more nationalistic mood in China, accompanied by a degree of smugness about Chinese success in attracting more than $100bn in investment since 1978. China ranks second to the US as a global destination for foreign direct investment, and is currently absorbing about a third of all foreign investment to developing countries.

The country's aspiring leaders, who face a difficult 18 months before a critical policy-making 15th Communist Party Congress late next year, are under pressure from the party's conservatives who believe economic liberalisation has gone too far. They are also being fiercely lobbied by the state sector which is complaining bitterly about "unfair" competition from foreign-funded enterprises.

Policymakers are walking a fine line, therefore, between the need to maintain investment flows which are spurring job-creating economic growth, and a fairly widespread belief among Chinese that foreign investors have been given an easy ride and should be brought to heel.

At the recent annual session of the National People's Congress, China's parliament, delegates were critical of privileges, including generous tax holidays, offered to foreign investors in the five Special Economic Zones. These zones are located in the coastal regions and the principal complaint was that the tax breaks deflected investment from other needy areas inland.

The zones accounted for 20 per cent of China's exports in 1995. And Chinese leaders, including Mr Li Peng, the prime minister, have sought to reassure investors that the tax privileges will be maintained for now. But he also indicated such benefits would not be continued beyond what he described as an "experimental phase".

Such vague undertakings are a symptom of an uncertain regulatory environment that bothers most foreign investors – particularly the Japanese. Mr Tomozo Morino, chief representative in Beijing of the semi-official Japan External Trade Organisation (Jetro), says sudden changes in the law and a lack of transparency in their application are a major worry for Japanese companies. He predicts there will be a slowdown in Japanese investment as a consequence.

"Almost every day they announce new laws," he says. "But very often we have trouble interpreting them." China compares unfavourably, Mr Morino says, with Indonesia and the Philippines, which are reducing red tape and adopting flexible policies.

However, overseas Chinese investors, including those in Hong Kong, exhibit little sign of slackening their commitment to China. According to a survey by Crédit Lyonnais Securities, Hong Kong's 62 largest companies had projects planned in China worth $20bn over the next few years.

Hong Kong investors have been generally less concerned about shifts in China's political and regulatory environment than their counterparts in Japan and the west.

Mr Victor Chu, chairman of First Eastern Investment Group, a Hong Kong-based fund management group with about $200m invested in China in manufacturing and infrastructure projects, says the climate for smaller investments has, if anything, become easier in the past six months, partly because of the easing of a credit squeeze on the mainland. But he also noted that larger projects over $30m requiring central government, and State Planning Commission approval in particular, are becoming more difficult.

"In these cases, there tends to be a lot of argument about the percentage of domestic sales and also argument about imported equipment," he says. "The rule of thumb appears to be that the closer you get to the centre, the trickier it becomes."

The foreign investment community believes that China would be wrong to assume foreign investment will continue to flow in despite complaints about a more difficult environment. The country needs large amounts of foreign capital if it is to continue to achieve its annual growth targets of 8-9 per cent for the next decade – not to mention its requirement for foreign funds to service its growing foreign debt. The investment community warns that irrespective of the appeal of China's vast market, investment is fickle and cannot be taken for granted.

Ms Stevenson-Yang says that recent negative publicity about the investment environment, worsened by difficulties in Sino-US relations over such issues as Taiwan, would at least "dampen perceptions of China as a boom market". Recent policies, such as the unadventurous Ninth Five-Year Plan (1996-2000), reinforced the impression that China is in for a period of consolidation – and unlikely to make life easier for foreign investors.

Mr Andrew Halper, a Beijing-based representative of Goodman Phillips and Vineberg, a Canadian law firm, says that an uneasy political climate is also taking its toll.

"In a transition period like this," he says, "you don't get points for making concessions to foreigners, whether you are a national leader or a local manager."

Mr Halper believes the present phase with its overlay of increased nationalism will continue. "This theme," he says, "has deep roots in China. This is not a passing phenomenon. It's a recurrent theme which means it will be a tough place in which to invest for quite some time."

## No loss of foreign interest

**Despite the somewhat less encouraging business environment, recent surveys indicate no slackening in interest in China among foreign investors.**

**Commitments to invest in the first quarter of this year surged to $27.4bn, (£18bn) up 86.8 per cent on last year. This may have been because investors were scrambling to win project approvals before the April 1 deadline for removal of tax benefits for capital equipment imports, but the fact so much investment was in the pipeline indicates a continuing strong commitment to China.**

**The amount of foreign direct investment that had actually been made reached $135.2bn in 1995 and is expected to exceed $150bn by the end of this year. Commitments to invest stood at $394.5bn at the end of last year, with 258,788 contracts.**

**A survey of members of the US-China Business Council, released last year, found that 76 per cent were either profitable or meeting expectations – "despite numerous operational difficulties".**

**The majority of US companies believed they were on track to achieve long-term returns on their investments in China of between 16 per cent and 20 per cent. Their main concerns were over costs, bad debts, bureaucratic interference, transport problems, the low quality of local inputs and raw materials, and difficulties of access to yuan loans for working capital.**

**Other surveys support these findings. A poll last year of 47 mainly western multinationals by the Economist Intelligence Unit and Andersen Consulting found 60 per cent of ventures in China were operating profitably. Most had become profitable in two years.**

**But the EIU-Andersen survey also reported that tighter margins in China than in other developing countries – confirming anecdotal evidence that China is a tough market and getting tougher.**

# · OBSERVER ·

## Very nice while it lasted

■ It was never exactly a marriage forged in heaven, but the final divorce in South Africa between the National Party and the ANC almost certainly brings down the final curtain on the remarkable cabinet career of Pik Botha, one of the most country's most redoubtable politicians.

Under the new government, Botha served as minister of mineral and energy affairs. Before that, though, he performed the thankless task of serving as foreign minister under successive apartheid governments for 17 years. Despite his apartheid past, Botha was popular across the racial divide; when he said he was an African, it was possible to believe him.

He has some rare qualities for a Nat, not least a sense of humour and an ability to cut deals. A relative liberal within the National Party, Botha once suffered a public mauling from former president PW Botha for having the temerity to suggest South Africa might one day have a black president. Pik probably never thought he'd live to see the day.

## Second splash

■ Hold the front page. Warren Buffett, who has already managed to get himself into the news rather a lot this week, has rejoined the board of the Washington Post.

Buffett fans will recall how the great man's association with that journal began as a small boy on his paper-round. Years later he bought shares in the company, and enjoyed a warm relationship with Katharine Graham, who took control of the Post when her husband died in 1963.

He went onto the board first time around in 1974, after accumulating a 10 per cent stake, but was forced to step down again after Berkshire Hathaway, his holding company, bought a stake in Capital Cities in 1986. The US regulators would not let him sit on the boards of both media groups.

With the recent takeover of CapCities by Walt Disney, in part engineered by Buffett, he is at last free to rejoin his beloved Post.

## Store of value

■ It seems that the havoc wreaked by last Sunday's fire at the Paris headquarters of Crédit Lyonnais was not complete.

Remarkably, 11 valuable paintings adorning the bank's *salle de réception* – including a Picasso, a Utrillo and a Dufy – emerged unscathed. A relief to all concerned, one imagines, seeing that they were on loan from the Georges Pompidou Centre, in exchange, somewhat oddly, for the use of premises owned by the bank in Bayeux.

Whatever quirk of artifice saved the art, Henri Germain, the bank's founder, would have approved. For a good deal of thought went into the building's design when it was erected in 1878 – principally in the direction of making it readily convertible into a department store.

Germain, the story goes, wanted to be able to turn the premises into a shop if the bank proved not to be a success. One wonders whether any thought was given to making the conversion after the bank reported a loss of FFr12.1bn in 1994.

## Shaken about

■ A long-running turf battle between Manila's securities and exchange commission and the Philippine stock exchange has now reached absurd proportions.

After infuriating the PSE by overruling its decision to ban a controversial resort developer – Puerto Azul Land – from listing on the market earlier this year, the SEC is busily rubbing salt in the wound.

The PSE, which opted on Monday to ignore the SEC's decision, was yesterday surprised to read newspaper headlines stating that the SEC had *again* overturned the PSE's ruling. Not only that, but it had failed to inform them.

Eduardo de los Angeles, the PSE's normally unflappable chairman, was seen pacing up and down his office yesterday, after being told to send a courier to pick up the SEC's ruling. The SEC had, among others, faxed the results to Reuters and other news agencies the previous day.

Poor old Puerto Azul is left haplessly watching this farce from the sidelines.

## Pigged out

■ Pity the valiant US diplomats in Kampala. As they negotiate the pothole-ridden roads of the Ugandan capital, they travel by a very untrendy, British-made vehicle called the Reliant Robin, which not even its fans can term beautiful. It's popularly known by British policemen as the 'plastic pig' – a reflection of its fibre-glass bodywork and a tendency to flip over in high winds.

In fact, the US embassy has a fleet of 10 of the three-wheeler vehicles which are powered by an 850cc engine, able to accelerate from 0-60mph in, oh, well under a day. Embassy staff insist the Robins are quick and easy to park.

But Observer understands the real reason why the Kampala-based Americans have their Robins dates back to a demand for more road vehicles from the State Department. Apparently, the request was for some vehicles that were not four-wheel drive. So that's what they got.

The Financial Times

## 50 years ago

**Coal strike in the U.S.**

Washington, 9th May:- President Truman disclosed at his Press Conference to-day that he was contemplating seizing the U.S. railways which are at present being progressively crippled by the present six-week-old coal strike. He refused to disclose what, if any, steps were under consideration to deal with the coal strike direct, but claimed the walk-out was gradually and slowly becoming a "strike against the Government," which, on earlier occasions, he has held to be illegal. The strike was "just as serious as it ever was and threatening to become worse," said President Truman.

**German control office**

The following words were uttered by the Chancellor of the Exchequer in his Budget speech in April. "We are spending this year no less than £80,000,000 under the estimate for the Control Office. This is a large figure. So far we are getting little in return, and that is a matter which may have to be probed in this House one of these days." In to-day's debate on the Control Office for Germany and Austria the House will proceed to this "probing." In effect this burden of £80 millions is tantamount to this country paying reparations to Germany.

# FINANCIAL TIMES
Friday May 10 1996



Washington demands tougher action on piracy

# China steps up warning to US over trade threat

**By Tony Walker in Beijing and Jurek Martin in Washington**

China yesterday stepped up its threat of vigorous retaliation if the US proceeds with sanctions on imports of $3bn worth of Chinese goods.

It signals a further escalation of the long-running dispute over intellectual property rights.

Ms Zhang Yuejiao, a director-general of the ministry of foreign trade and economic co-operation, said if the US imposed any sanctions on imports from China, the ministry would immediately counter with penalties on US goods of even greater value.

The US said on Wednesday it would give China until May 15 to step up enforcement of a February 1995 agreement aimed at stamping out widespread piracy of US information and education products such as compact discs and computer software.

"If China does not live up to the agreements it has made with the US, we will impose stiff sanctions," Mr Mike McCurry, the White House spokesman, said.

US officials accuse China of lax enforcement and say counterfeiting is now worse than it was a year ago. US industries estimate losses due to piracy in the past year at $2.3bn.

Beijing insists it has lived up to past undertakings. It recently announced a crackdown on pirate CD production lines and says customs officials have stiffened controls on exports of pirate products. But US officials say China has not done enough and this is the message Mr Lee Sands, assistant US trade representative, will deliver in Beijing in the next couple of days.



This year's copyright dispute appears to be following a similar pattern to last year's row which resulted in an "eleventh hour" compromise after the US threatened sanctions. A US official in Beijing said like last year the latest argument might "get nasty before it gets better", adding: "We are not looking to do a trade war, we don't want sanctions. But this is a festering sore that's got to be dealt with."

The US takes about a third of all Chinese exports and the trade balance in 1995 was $34bn in China's favour.

Last year, after the US gave China 30 days to improve enforcement, the deadline was met with hours to spare. But this year the atmosphere around negotiations is clouded by strained Sino-US relations over Taiwan, human rights and arms proliferation.

The US administration is also grappling with a difficult decision over the annual renewal of China's most favoured nation trading status against significant congressional opposition. That decision must be made by June 4.

Senator Bob Dole, the majority leader, said yesterday the US should renew most favoured nation trading status with China.

# Bulgaria lifts rate to 108% to stem fall of lev

**By Kevin Done, East Europe Correspondent, in London**

The Bulgarian National Bank yesterday raised its central interest rate to a record 108 per cent from 67 per cent in a bid to halt the steep decline in the value of the lev, the Bulgarian currency.

Bulgaria is facing the most acute financial problems of any of the former communist countries in central Europe and has lagged far behind the pace of reform set in other parts of the region.

The currency crisis has been triggered by the shrinking of the country's foreign exchange reserves with further heavy foreign debt repayments due in the next two months.

Amid the mounting crisis in the foreign exchange market, officials from the International Monetary Fund have returned to Sofia, the Bulgarian capital, this week to resume negotiations on a new standby arrangement.

Earlier talks foundered on the government's inability to push through urgently needed structural reforms.

Queues formed at some banks yesterday as Bulgarians sought to withdraw their savings, but many banks were unable to meet demand according to a Reuter report. Some shopkeepers were reported to be refusing to take the currency as payment for goods other than food.

Interest rates have tripled this year from 34 per cent at the beginning of January and were last raised only two weeks ago from 49 to 67 per cent in an effort to shore up the currency.

The crisis of confidence in the lev has driven the value of the currency down from 70.70 to the dollar at the beginning of January to a central bank fixing rate yesterday of 122.56 compared with 112.84 on Wednesday.

In street trading, the lev has fallen further to between 140 and 160 to the dollar, although there were signs last night that the emergency rise in interest rates had strengthened the currency, at least temporarily.

In an effort to support the lev, the central bank has already sold much of its foreign currency reserves in the first four months of this year, with reserves falling to $667m at the end of April from $1.2bn at the end of last year.

Last night, the government was seeking urgently to complete a list of state-owned enterprises to be closed or restructured, as part of a programme to be presented to IMF officials today.

The Socialist government led by Mr Zhan Videnov has been badly split over what measures to adopt to alleviate the growing financial crisis.

Western officials remain sceptical about the country's real commitment to restructuring and reforms leading to an open market economy.

## Chip prices fall sharply

Continued from Page 1

prices each month, said Mr Giudici. This is in sharp contrast to the situation a year ago, when D-Rams were in short supply and PC manufacturers were eager to purchase chips at almost any price.

Several developments have led to a glut in D-Rams. Prices began to fall late last year when PC sales in the US did not live up to industry expectations.

The PC industry is the largest consumer of D-Rams, which are also used in larger computers.

This coincided with increased production of D-Rams as several manufacturers shifted to new technology to achieve higher yields, and new production lines in Taiwan and Japan came into operation.

## Nokia drop

Continued from Page 1

Mr Ollila said. But he said he expected the overall rapid growth in mobile telephone demand to continue and predicted a turnaround in the second half.

Nokia is also benefiting from improved performance from its general telecommunications division, which makes hardware for both mobile and fixed networks. Sales for the division rose 39 per cent from FM2bn to FM2.8bn and Nokia said profits were also up.

Group sales were down from FM8.5bn to FM7.9bn, but the fall was largely due to currency effects and divestments. Nokia is pulling out of its loss-making television production operations.

# Arrest warrant is issued for Dassault chief in bribes probe

**By David Buchan in Paris and Bruce Clark in Brussels**

A Belgian magistrate has issued an international arrest warrant for Mr Serge Dassault, president of the Dassault aviation group, after he refused to go to Belgium to face questioning over the alleged payment of bribes to win a defence contract.

The warrant follows a lengthy probe by Belgian investigators into payments by both Dassault and the Italian helicopter company Agusta to the Belgian Socialist party.

Mr Dassault, who at 71 is one of the most colourful figures in French industry, has won prominence recently because of his strong opposition to President Jacques Chirac's plan to merge Dassault with the state-owned Aérospatiale group.

The latest legal move effectively confines the aircraft group chief to France, at a time when he is fighting for maximum orders in the military procurement plan which the Paris government will unveil on Monday.

The Belgian investigation was prompted by the mysterious murder of Mr Andre Cools, a Socialist party politician who was shot dead in front of his mistress in July 1991. The subsequent scandal has led to the downfall of four senior Belgian politicians, including Mr Willy Claes, the former Nato secretary-general, and the suicide of an air force general.

Mr Dassault said yesterday he was willing to be interrogated further by a Belgian magistrate in France, as had happened last autumn, but he would not go to Belgium for any questioning "because of recent precedents against French industrialists".

This was a reference to an incident in May 1994 when Mr Didier Pineau-Valencienne, head of the electrical group Schneider, went to Brussels to co-operate with a financial probe into Belgian subsidiaries of his company. He was charged with fraud and held in a Brussels jail for two weeks.

When, after his release and return to France, Mr Pineau-Valencienne refused to return to the Belgian capital, Belgium put an international arrest warrant on him that was only lifted in June 1995. France did not consider the Pineau-Valencienne case covered by its extradition treaty with Belgium, and seems likely to take the same view with Mr Dassault.

A Swiss court last month authorised Belgian investigators to examine bank accounts through which they believe up BFr60m ($1.9m) was paid in bribes to senior figures in the Belgian Socialist party in 1989.

The investigators are probing a contract won by Dassault Electronique in 1989 to upgrade the avionics on Belgium's US-made F-16 fighters, as well the purchase of 46 helicopters from Agusta the previous year.

Warrant may ease merger, Page 2

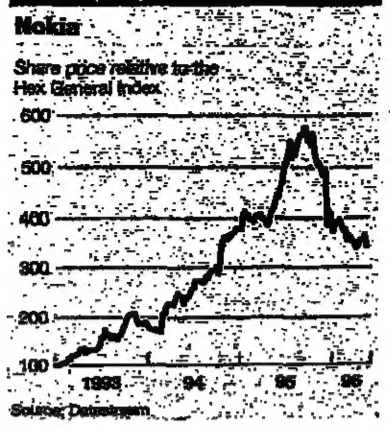
THE LEX COLUMN

# Nokia takes a knock

The problem with attracting the label of growth stock is that it builds expectations. Finland's Nokia, one of Europe's high technology darlings, has discovered the perils of not delivering. Its shares have halved since September, but profits fell more than that in the first quarter of this year. And investors should not be lured back by evidence of re-accelerating sales growth and the management's promises that it has learnt from recent logistical errors.

True, management restructuring is already bringing costs under control. Nonetheless, it is too early to suggest that its stock clear-out is complete – inventory has fallen just 3 per cent since December. And while the management argues that the development of digital cellular networks in the US could herald another rapid growth phase, competition is also accelerating. Lucent, Alcatel, Philips and a host of others are launching mobile handsets, so margins can go in only one direction. At least Nokia, Ericsson and Motorola retain a stranglehold on cellular network equipment, such as base stations – hence Nokia's 25 per cent profit margins from this business. But many competitors in handsets are also looking to buy a share of the juicier infrastructure market; and these margins have much further to fall. This bodes ill for Nokia, but worse for Sweden's Ericsson. It has a much larger infrastructure business. And, given a strengthening Swedish krona and a prospective price-earnings ratio of over 20, there is significant scope for disappointment. But Nokia, even on 15 times earnings, also looks expensive.

FT-SE Eurotrack 200: 1701.7 (-8.6)



Source: Datastream

### Shell

Yesterday's first quarter results from Shell may have been impressive, but then so were British Petroleum's and the US majors': the market's enthusiastic reaction owes more to relief that the previous quarter's grim figures did not start a trend. In fact, yesterday's results are largely the product of a cold winter, bringing high oil prices and gas consumption. But there is good news on costs as well, especially from parts of the business forced to change after crises, such as Shell's US business and Montell, its chemicals joint venture with Montedison.

It is possible to read the result as evidence of a more general shift in Shell's traditionally aloof culture: the scope for boosting returns, if the company really put its mind to it, should be enormous. But while there are certainly some straws in the wind, they are so far pretty slight. Shell has not, for instance, grasped the nettle of European refining as others have done; nor has it shown much enthusiasm for sorting out its absurdly inefficient balance sheet. Until issues like these are tackled, the evidence for a tectonic shift remains flimsy. Certainly, the shares no longer look overpriced by comparison with BP – but shaking up the giant will take more than a few tremors.

### UK digital TV

Amid the waffle about its digital vision, the BBC yesterday made an important admission: it wants to deliver digital television channels not merely by terrestrial means but by satellite too. Hedging its bets is sensible given that digital terrestrial broadcasting, which can deliver only 20 channels compared with satellite's 500, looks a dead duck. Given that viewers will need decoder boxes costing several hundred pounds each whichever system is used, it is hard to see why they would freely choose the terrestrial option.

While BSkyB, which dominates satellite TV, will have to persuade viewers to buy its decoder boxes, subsidies should ensure they are not too pricey. Moreover, BSkyB has a particular twist on this: it does not plan to finance the subsidies itself but hopes that partners wishing to provide interactive services like home banking through its boxes will put up the cash.

The risk in the BBC's move, of course, is that it is putting itself at the mercy of BSkyB. Though BSkyB will want to include the BBC's channels as part of the digital service it plans to launch next autumn, it will largely be in a position to dictate the terms.

All this leaves BSkyB sitting pretty. If digital services take off, it will rake in more cash from services like pay-per-view sport and films. If not, its partners will be left with the bill for the boxes. The only clouds on the horizon are regulatory: the Office of Fair Trading is investigating BSkyB's current monopoly; and Oftel is itching to take over the case when BSkyB switches to digital. Despite its Houdini-style performances in the past, it is hard to believe BSkyB will escape scot-free this time.

### Jet engines

The agreement between General Electric and Pratt & Whitney of the US to develop jointly an engine for Boeing's "super jumbo" aircraft may look like a threat to Rolls-Royce, but in reality it is a defensive move. Whether by luck or judgment, the requirements for the new "stretched" Boeing 747 aircraft fall neatly within the scope of Rolls-Royce's existing Trent engine range. But GE and P&W's existing models are either too heavy or too small. They faced the prospect of watching Rolls become a monopoly supplier in a potentially lucrative sector. And going it alone from scratch would have meant incurring much heavier development costs than Rolls.

So the joint venture is a smart move. But Rolls is still ahead of the game. For one thing, its Trent engines will already have a proven track record by the time the new Boeing aircraft are ready for take-off. For another, of the three airlines keen to fly super-jumbos, British Airways has had a bad experience with GE engines and Singapore Airlines has recently given an order to Rolls. Of course, the move is certainly not good news for Rolls, but it could never really really hoped to have the field to itself.

### South Africa

On the face of it, the National party's withdrawal from South Africa's government of national unity looks like another blow for foreign investors. Certainly it provides another bit of ammunition for those talking down the rand. But investors should hold their nerve. For one thing, it is far from clear that the National party will have less influence in opposition than it did in government. For another, it is questionable how much of a force for macroeconomic stability it was anyway: its record in government was certainly pretty lamentable. Most importantly, the rand's sharp fall has taken it well below levels justified by economic fundamentals. Sooner or later, a sense of proportion will return.

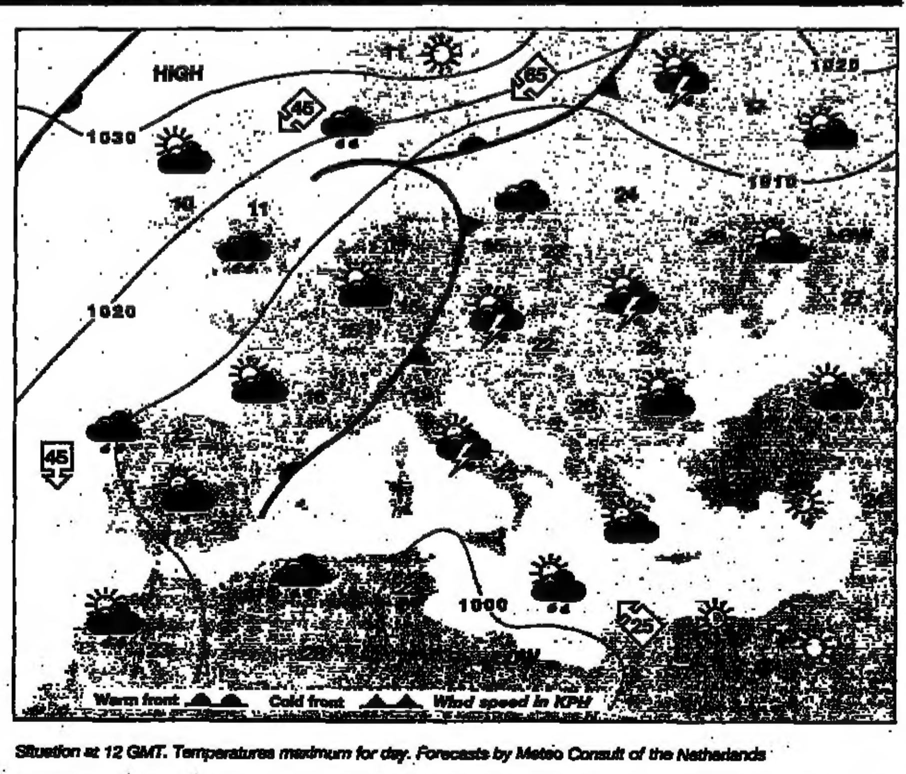
## FT WEATHER GUIDE

### Europe today

Areas near the Atlantic will remain unseasonably cold but will be dry with widespread sunshine. The North Sea region will become cloudy, and southern Scandinavia will be windy with heavy rain. Britain and France will be chilly with blustery northerly winds. South-western France and Spain will have scattered thundery showers and temperatures of about 15C. A wide area, from the Baltic states towards the Alps and northern Balkans, will be mild but unsettled. The Ukraine and Russia will be sunny and hot, and the southern Balkans will be sultry and mainly hot and dry. The western Mediterranean will have scattered thundery showers.

### Five-day forecast

Easterly winds will carry warm air across the North Sea region and southern Scandinavia, and some parts of Germany and the Low Countries will have temperatures of more than 25C. South-eastern Europe will become unsettled and windy on Sunday, while eastern Europe remains warm with showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

**TODAY'S TEMPERATURES**

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Maximum | | Beijing | fair | 25 | Caracas | cloudy | 29 | Faro | fair | 21 | Madrid | shower | 18 | Rangoon | fair | 32 |
| | Celsius | | Belfast | shower | 10 | Cardiff | fair | 11 | Frankfurt | cloudy | 14 | Majorca | fair | 21 | Reykjavik | shower | 9 |
| Abu Dhabi | sun | 40 | Belgrade | thund | 22 | Casablanca | shower | 21 | Geneva | shower | 17 | Malta | sun | 26 | Rio | fair | 29 |
| Accra | fair | 32 | Berlin | cloudy | 15 | Chicago | thund | 20 | Gibraltar | cloudy | 21 | Manchester | fair | 11 | Rome | fair | 22 |
| Algiers | thund | 18 | Bermuda | fair | 25 | Cologne | cloudy | 14 | Glasgow | fair | 12 | Manila | fair | 33 | S. Frsco | fair | 18 |
| Amsterdam | cloudy | 12 | Bogota | cloudy | 18 | Dakar | fair | 26 | Hamburg | cloudy | 14 | Melbourne | cloudy | 20 | Seoul | fair | 22 |
| Athens | sun | 27 | Bombay | fair | 33 | Dallas | fair | 33 | Helsinki | cloudy | 15 | Mexico City | fair | 31 | Singapore | shower | 33 |
| Atlanta | fair | 31 | Brussels | fair | 13 | Delhi | sun | 33 | Hong Kong | fair | 27 | Miami | fair | 29 | Stockholm | shower | 13 |
| B. Aires | fair | 24 | Budapest | cloudy | 22 | Dubai | sun | 36 | Honolulu | fair | 29 | Milan | shower | 18 | Strasbourg | cloudy | 15 |
| B.ham | fair | 11 | C.hagen | rain | 12 | Dublin | fair | 9 | Istanbul | sun | 24 | Montreal | shower | 18 | Sydney | fair | 22 |
| Bangkok | shower | 36 | Cairo | sun | 32 | Dubrovnik | fair | 23 | Jakarta | fair | 32 | Moscow | sun | 26 | Tangier | shower | 19 |
| Barcelona | shower | 19 | Cape Town | fair | 21 | Edinburgh | shower | 10 | Jersey | fair | 9 | Munich | cloudy | 15 | Tel Aviv | fair | 27 |
| | | | | | | | | | Karachi | fair | 39 | Nairobi | fair | 27 | Tokyo | fair | 18 |
| | | | | | | | | | Kuwait | fair | 37 | Naples | shower | 23 | Toronto | shower | 28 |
| | | | | | | | | | L. Angeles | sun | 22 | Nassau | fair | 29 | Vancouver | fair | 14 |
| | | | | | | | | | Las Palmas | fair | 24 | New York | shower | 25 | Venice | cloudy | 19 |
| | | | | | | | | | Lima | cloudy | 25 | Nice | cloudy | 20 | Vienna | thund | 19 |
| | | | | | | | | | Lisbon | fair | 16 | Nicosia | sun | 34 | Warsaw | thund | 23 |
| | | | | | | | | | London | shower | 12 | Oslo | sun | 15 | Washington | cloudy | 30 |
| | | | | | | | | | Lux.bourg | fair | 13 | Paris | fair | 14 | Wellington | cloudy | 15 |
| | | | | | | | | | Lyon | shower | 16 | Perth | fair | 23 | Winnipeg | fair | 8 |
| | | | | | | | | | Madeira | fair | 19 | Prague | thund | 15 | Zurich | shower | 14 |